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Analysis of 1990 Bank Marketing Expenditures

1991 Report

9th Edition

Special Report - Direct Mail

BANK MARKETING ASSOCIATION 309 West Washington Street • Chicago, Illinois 60606

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TABLE OF CONTENTS

Analysis of 1990 Bank Marketing Expenditures

Page

How to Use the Analysis 2

Budgeting For Bank Marketing 3

How to Market During a Budget "Crunch" 6

How Much is the Budget 8

Expenditures by Expenditure Type

Graphs of 1989 and 1990 Average Marketing Expenditures — Figure A 9
Average Marketing Expenditures by Expenditure Type and Asset Size — Table 1 10
Graphs of 1989 and 1990 Median Marketing Expenditure — Figure B 12
Median Marketing Expenditures by Expenditure Type and Asset Size — Table 2 13
Graph of Prime Media by Percentage of Total Marketing Budget — Figure C 14
Percentage of Reporting Banks' Budgets Spent on Each Expenditure Type in 1990 by Asset Size — Table 3 16
Advertising Expenditures as a Percentage of Advertising Budget 17

Where the Budget is Spent 18

Percentage of Banks Reporting Marketing Expenditures of each Type in 1990 by Asset Size — Table 4 20

Budget by Market Size and Type 21

Average Marketing Expenditures by Expenditure Type and Population Size — Table 5 22
Average and Median Marketing Expenditures by Population Size and Asset Size — Table 6 23
Average and Median Marketing Expenditures by Population Size and Market Type — Table 7 24

Budgeting for Services 25

Percentage of Reporting Banks' Budgets Spent on Each Service in 1990 by Asset Size — Table 8 25
Graphs of Share of Expenditures by Asset Group — Figure D 26
Percentage of Reporting Banks' Marketing Each Service in 1990 by Asset Size — Table 9 26
Average Marketing Expenditures by Service Type and Asset Size — Table 10 27
Median Marketing Expenditures by Service Type and Asset Size — Table 11 27
Average Marketing Expenditures by Service Type and Population Size — Table 12 27

Special Report - Use of Direct Mail 28

Use of Direct Mail in 1990 — Table 13 28
Expected Use of Direct Mail in 1991 — Table 14 29
Graph of Number of Mailings by Asset Size — Figure E 29
Services Promoted by Direct Mail — Table 15 30
Use of Statement Enclosures in 1990 — Table 16 31
Expected Use of Statement Enclosures in 1991 — Table 17 31
Graph of Number of Statement Enclosures by Asset Size — Figure F 31

Use of Advertising Agencies 32

Graphs of Sources for Creating Advertising — Figure G 32
Banks' Primary Source for Creating Advertising in 1990 — Table 18 33
Banks' Primary Source for Creating Advertising by Population — Table 19 33
Banks' Primary Source for Creating Advertising by Market Type — Table 20 33
How Agency was Compensated for Services in 1990 — Table 21 33

Compensation of Advertising Agencies 34

Average Expenditure for Fees & Commissions at an Outside Advertising Agency — Table 22 34

1989 and 1990 Marketing Expenditures 35

Average and Median Marketing Expenditures for 1989/1990 by Asset Size — Table 23 35

How the Survey was Conducted 36

How To Use The Analysis

This *Analysis of Bank Marketing Expenditures* contains more than 2,200 statistics on how banks in the United States spend their marketing budget to sell financial services. The survey which was used to gather the data from more than 850 banks and the resulting tables and graphs are designed to help bankers learn more about the marketing practices of financial institutions.

Using the Findings

This study is not designed to show how much your individual bank should spend for marketing. But it can be helpful in providing a frame of reference for setting your budget. As you read the statistics and tables, you will see certain patterns emerge in media usage and marketing as the size of the bank or its market changes.

As explained in the text, your bank's budget ultimately should be determined by your objectives and your marketing environment, including your market and competitors.

You will, however, find this publication very helpful in building your budget, explaining it to your management, and in identifying overall trends in bank marketing expenditures.

You will find the *Analysis* to be a helpful reference guide both at planning time and throughout the year as you make budgeting decisions.

You can obtain maximum benefit from the study if your marketing budget is broken down into the same basic categories as those in the survey. These categories have been built around generally accepted industry definitions to maintain consistency among responding banks. The basic categories used in the *Analysis* are:

- Advertising
- Public Relations
- Sales Promotion
- Staff Sales/Customer Relations Training
- Marketing Research

Defining Terms

When comparing your expenditures to those in this study, it is important to use consistent terms.

For example, when comparing total expenditures for advertising, make certain that your bank's advertising total includes the same line items as the *Analysis* and that you have not included any additional items covered in other functional areas, such as public relations.

You may find it convenient to use the table format and descriptions we have used, such as in Table 1, to set up your own 1992 budget to ensure that the data will be comparable in the future.

Presentation of Statistics

The survey information is presented in several formats in this book to aid in understanding the data:

- Percentage terms
- Dollar averages
- Dollar medians

The **percentages** shown in the tables are based on the number of respondents answering each specific question (unless noted otherwise) and are rounded to the nearest whole percentage.

The word **"average"** in the tables indicates the arithmetic mean. The averages for each category are based on the number of banks answering each question. Since the number of banks varies from category to category, the sum of the individual line item averages may not be the same as on the "total" averages.

The **median** is the middle value from a list of rank-ordered values. For example, consider the following values:

- $4,000
- $4,000
- $4,200
- $5,000
- $18,400

While the average is $7,120, the median is only $4,200. Because the average is sensitive to extreme values ($18,400 in this example) and the median is not, the median may at times represent a more appropriate estimate than the average.

You also will note that some tables include "minimum and maximum" values. These data are included to illustrate the range of respondent answers for certain questions so that the reader can examine both of these extremes in addition to the average and median.

All dollar figures in the tables are reported in thousands and are rounded to the nearest $100.

Before presenting the survey results, the next two sections of the *Analysis* describe various methods of creating a budget and how to respond to a budget "crunch" in your bank.

Budgeting For Bank Marketing

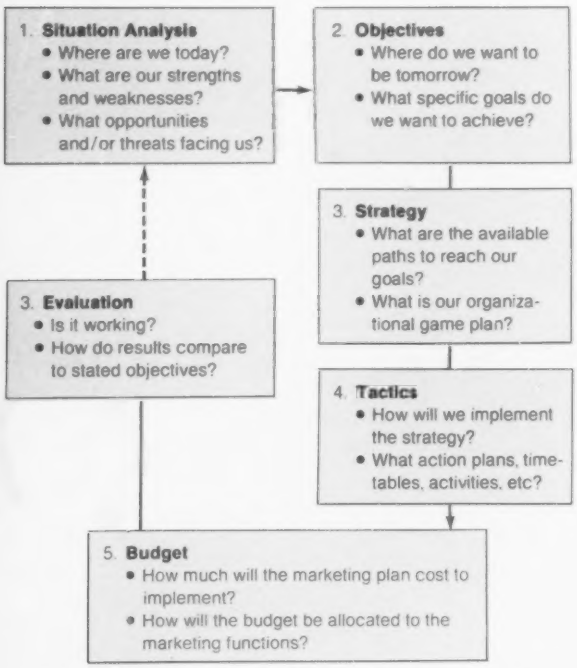
To be effective in marketing, your bank should operate with a written marketing plan. Once written, it provides many important advantages throughout the year.

It brings organization and efficiency to both the short term and long term activities of the bank. With a plan, staff and suppliers have time to prepare and implement programs, reducing the risk of errors or expenses that accompany unplanned marketing. The plan assures that your bank's marketing activities occur in an orderly sequence, reaching the right prospects, with the right products, at the right time, at the lowest expense possible.

A marketing plan provides administrative advantages within the bank, too. It alerts other staff when to prepare for certain customer responses and assures that other key individuals in the organization understand the bank's goals. Thus, the planning process should accommodate input from many different personnel and departments in the bank.

Writing Your Plan

There are six key components in a marketing plan:


1. Situation Analysis
• Where are we today?
• What are our strengths and weaknesses?
• What opportunities and/or threats facing us?
2. Objectives
• Where do we want to be tomorrow?
• What specific goals do we want to achieve?
3. Strategy
• What are the available paths to reach our goals?
• What is our organizational game plan?
4. Tactics
• How will we implement the strategy?
• What action plans, timetables, activities, etc?
5. Budget
• How much will the marketing plan cost to implement?
• How will the budget be allocated to the marketing functions?
3. Evaluation
• Is it working?
• How do results compare to stated objectives?

Once it is developed, your plan should be considered an evolutionary document. Each plan your bank prepares will be more accurate and thorough than earlier ones. For that reason consider the plan a flexible document that changes with the marketplace and your bank's growth.

Common Budgeting Methods

The budgeting process assigns costs to the marketing activities or tasks that will implement the strategies you have selected to achieve your goals. Marketing budget decisions are among the most important that bank managers make because they can significantly affect the growth, profitability and strength of the bank.

The central decision, of course, is the amount of the budget. Determining the amount is a combination of both art and science and there are several methods which you can use alone or in combination to determine how much to spend and where to spend it. These various methods traditionally include rules of thumb which may seem relatively quick and easy to use, but each has certain shortcomings as described here. Nevertheless, they may be helpful as general guidelines or checks on budgeting decisions.

They can be classified into three general types, and several methods within the types:

1. Formula or Mathematical Techniques

a) ***Percentage of Assets Method:*** This convenient rule of thumb sets the budget based on the asset or deposit size of the bank. The formula commonly is stated as "1/10 of one per cent of assets" or "$1,000 in expenditures per million dollars of assets." This method can be helpful as a quick measure of how much a bank might spend, and it certainly is easy to use. It also reflects the likelihood that the larger the bank, the larger its marketing budget. However, it has many shortcomings. It does not take into account the other important factors which enter into planning, such as competitors' spending. Banks in a large urban market will usually spend more than banks of similar size in rural markets with less concentrated competition. Moreover, using current or forecasted assets as the basis of the budget ignores the purpose of marketing. Marketing expenditures, after all, should be affecting the level of assets, not the other way around.

b) ***Incremental Method:*** When advertisers take the previous year's budget, and add on an increase for inflation — say 5% to 10% — they are using another formula technique, the incremental method. This method is easy to use, and may sound persuasive to those who are not involved in marketing but have a role in reviewing the budget. The underlying assumption, of course, is that this year's goals and strategies can imitate last year's. That's

probably only true if you are convinced that past performance was so good that you only need to repeat the same strategies and tactics. But simply doing 'more of the same' may allow your marketing to become stale, or to repeat ineffective programs since no evaluation takes place. Furthermore, most banks will want to adjust their marketing programs in the face of external changes such as legislative developments, changing consumer markets, competitors' action and other factors.

2. Subjective Techniques

a) ***"All We Can Afford" Method:*** The most common subjective budgeting method is for management to simply give marketing whatever is left over after other expenses have been budgeted and a satisfactory profit planned. This method relegates marketing to secondary status and does not consider the potential benefits which can be gained from effective marketing. It is possible that with this method the resulting budget will be too small to be effective. Or, at the other extreme, more may be spent than is necessary. For instance, a point can be reached in newspaper advertising (or other media) where increasing the number of insertions may not be incrementally profitable. Furthermore, budgets that fluctuate significantly from year to year will make continuity and the attainment of long term objectives very difficult to achieve.

b) ***Competitive Parity Method:*** This method allows you to 'keep up with the competition' by matching them in their marketing expenditures. It may sound like a logical basis for spending, but in reality it allows your competitors with different resources and objectives to dictate your budget. The assumption underlying this approach is that all financial institutions in the marketplace have the same opportunities for profitable marketing and the same objectives. More likely, both your opportunities and your objectives differ from competitors' and thus this method can fail to achieve marketing success. Nonetheless, knowing competitors' expenditures is a key ingredient in preparing your own bank's plan.

While all of the above methods have their advantages, overall they limit the bank's flexibility and do not relate your marketing expenditures to your specific bank's marketing objectives. And, while a budget created by any of these methods may be easily approved by management, little planning or analysis has taken place. Thus, they are most useful in creating parameters to be used in conjunction with a more analytical procedure such as the following:

3. Objective and Task Method

This method tailors the marketing budget to the specific objectives of your bank and its market.

The technique requires that you first determine the marketing objectives of your bank. Next, create strategies and tactics which you believe will achieve your objectives, then assign costs to the marketing activities you will use to achieve your goals. While advertising usually accounts for the largest portion of the marketing budget, don't overlook the other marketing functions: public relations, sales promotion, sales training and marketing research.

Costs are assigned to these functions based on the contribution you anticipate they will make in achieving the objectives. Thus, the budget becomes the marketing plan in dollar terms.

Allocating the Budget

Additional budget decisions have to do with how the total budget is allocated. Types of allocations include:

- **Functional:** apportioning the budget between advertising, public relations, sales promotion, selling, and marketing research.
- **Media:** allocation within functions to various advertising media, (newspapers, radio, TV, etc.) sales promotion tools and public relations vehicles.
- **Product:** assigning funds to individual or groups of products; among new versus established bank products.
- **Geographic:** local, regional, national

Many of the tables in this *Analysis* are organized to present the data by these four types of allocations to make your comparisons easier and more meaningful.

Once your budget is prepared, the next step is to secure management's approval.

Approval of the Budget and Plan

Your plan won't be successful unless it is approved and supported by management. Keeping the following points in mind will help achieve the plan's acceptance by management.

- Anticipate management's objections and prepare satisfactory responses for them.
- Position marketing expenditures not simply as costs, but as an investment that builds the foundation for future profits.
- Do your homework. Know the history of the bank's marketing expenditures and those of its competitors in prior years. Learn about successes and failures, which media have been productive, and which have not. Perhaps most important, be on the same 'wavelength' as management in terms of

what the bank wants to accomplish. Know the marketing problems and formulate strategies to solve them.

- Be able to justify the marketing expenditures you recommend. In effect, you are competing for funds or other resources with other departments of the bank.
- Develop arguments to counter proposals to stop or curtail marketing activities during temporary adverse conditions.
- Maintain your credibility and submit realistic numbers. Don't 'go in high.' Stress that your budget is not padded and that it represents the least expense that can be expected to achieve the desired objectives.
- Track and evaluate marketing activities. Management is more likely to accept your budget if it understands you watch closely over the money that is spent.

Using Your Plan

Marketing opportunities seem to change constantly. But don't merely react to events on a day-to-day basis. Use your marketing plan as a roadmap for actionable results, allocating your resources based on your stated objectives.

An effective marketing plan is not set in stone, but rather can be adapted to changing economic and competitive conditions. When circumstances change, be ready to cut or expand your budget to meet changing revenue or profit requirements — or to take advantage of new marketing opportunities.

The planning process in your bank should be an ongoing and dynamic activity. The plan is a working document which should be used daily, updated and reviewed, rather than tucked away in a file once it is approved. Most marketing plans are threadbare long before the year is over. If your marketing plan is written properly, it will contain quantifiable objectives which can be measured periodically throughout the year. Review your program results frequently — at least on a monthly basis — to track your progress in time to alter the plan if necessary.

Most managements also will ask for a periodic budget review to measure variances, whether below or above the budget amounts. If the expenditures are exceeding budget, find the reason: Have the underlying budget assumptions changed? Are unforeseen influences causing the variance? If so, perhaps the objectives should be changed. Or, if goals are being met or exceeded, perhaps the budget can be reduced, or allocated to another objective. To many managements, being under-budget can be as bad as being over-budget. Failure to implement planned programs can improve the expenditures outlook, but results may suffer significantly later in the year.

In summary, systematic planning is evolutionary. Each time you prepare a plan, and each time you revise it during implementation, you will improve your own skills and the effectiveness of your bank's marketing program.

How To Market During A Budget "Crunch"

Marketing expenditures are perhaps the least understood component of a bank's overall budget. Because marketing's contribution to the bottom line is, in most cases, difficult to isolate, senior bank management often views these costs as, simply "expenses" or "overhead," rather than as investments with a direct rate of return.

Even when earnings are good, marketing expenditures are frequently questioned. But when earnings decline, marketing budgets can look like an easy target for cost cutting. Many managers also believe that a slower economy or recession justifies lower marketing expenditures. And, when competitors are spending less, many believe it is reasonable to follow suit.

What managers often overlook, however, is how reducing marketing expenditures can harm future profitability.

Unlike "overhead" expenses, an investment in marketing provides a return which translates directly to the bottom line. Without this investment, future returns, measured in sales or in profits, will decline. Therefore, if marketing expenditures are not providing an adequate return, they should be modified or redirected, rather than reduced or eliminated.

Rather than reacting to an earnings decline by trimming your marketing budget, consider the contribution that marketing can make to improve the earnings picture:

- Careful promotion of high-margin products can significantly boost short term earnings.
- A normal-to-aggressive advertising posture can increase your market share when competitors have cut marketing spending. Numerous studies have documented the benefits of maintaining advertising exposures during recessions, when a reduced competitive presence offers greater awareness for every ad you run.

When your bank is faced with an earnings decline, there are a number of actions you can take to ensure you achieve maximum results with your marketing budget:

Trim marketing, but not advertising.

In lean times, allocate your scarce dollars to those marketing activities, such as advertising, which can give you a more immediate impact on sales. Although still important, other functions such as public relations and research can often be trimmed or postponed. For example, you could produce an annual report with less expensive graphics to reduce the cost of shareholder communications, or delay a market research study until earnings recover.

Promote high margin products.

In times of tight budgets, allocate advertising dollars to promote those products which produce revenue the fastest. For most banks, this may mean focusing on high margin loan products, such as home mortgages and home equity lines of credit.

For example, over 12 to 18 months, direct response advertising of your home equity credit line can produce up to an eight-fold return on the advertising investment. To improve short-term earnings, managers should probably expand expenditures, not cut them, in this category.

Prioritizing product marketing requires careful profitability analysis of each product by senior management. This will allow you to allocate limited promotional dollars to those products which can improve short-term earnings. An ongoing close relationship between your marketing staff and the various departments of the bank is also important so that marketing managers can fully understand the profitability and attributes of the various product offerings.

Use product advertising; reduce image advertising.

Image advertising can be excellent for building awareness, reinforcing customer loyalty and achieving other long-term goals, but product advertising is more effective at "making the cash register ring" in the short term. A campaign of hard-hitting product ads can pay off in immediate sales — and can be made even more effective by incorporating direct response techniques, such as coupons and information "hotline" numbers.

Target your message.

The expense of advertising in general media along with its corresponding waste circulation can be avoided for many products. Instead, choose lower-cost, highly targeted vehicles which will deliver your product message directly to a specific audience segment.

Direct mail is an excellent technique for selling a specific product to a specific audience efficiently. For example, target homeowners with a direct mail offer for a home equity credit line.

Analyze your advertising frequency.

Through careful management of advertising frequency, you might be able to trim advertising expense without significantly affecting results. The

key to this strategy is understanding the audiences your media deliver, and when. For example, you could advertise rates for term certificates of deposit in newspapers on the one day of the week when most banks adjust their rates and your best prospects are shopping.

Develop advertising campaigns, not just single ads.

Single ads rarely have the impact of a coordinated campaign. By developing cohesive campaigns, you will achieve a greater impact — and increased sales — because all media reinforce a single message. And, you'll achieve production cost efficiences, too, through use of coordinated graphics and copy.

Ask suppliers to help.

Outside vendors can be an excellent cost cutting resource. Explain your budgeting concerns and goals to your suppliers and seek their advice on ways to trim costs. For example, printers may be able to suggest less expensive paper stock, or schedule your work on longer deadlines when they have press time available.

Because advertising media are also affected by recessionary pressures, they may be flexible in negotiating concessions. These may include substantial discounts for multiple insertions, larger space ads or longer time commitments.

Be cautious in using color.

Although research studies show that adding color can increase attention in print advertising, they typically focus on food, cosmetic or fashion advertising. Since most financial advertising does not use color, you should be wary of whether the small increase you might achieve in readership is worth the additional cost. Here also suppliers may be flexible regarding possible concessions.

Focus strongly on cross-selling opportunities.

Your customers have already chosen at least one of your bank's products, and are likely to be receptive to additional product offerings. You can take advantage of many opportunities to cross sell other products to customers at negligible additional cost, using statement enclosures, lobby signage, customer newsletters and at the new accounts desk.

Cross-selling by your new accounts staff can be especially productive. By selling a loan product to even a fraction of new deposit customers, your profit per customer can be doubled or tripled.

Remember as well that cutting costs is only one way to achieve increased profitability. This could be precisely the right time to consider adding a well-targeted, commission-based sales incentive program for new accounts staff.

Plan for the long term and evaluate effectiveness.

During an earnings crunch, planning is more important than ever. Senior management in particular should have a plan which coordinates the diverse marketing activities of the bank:

- Calling staff in all departments should place a priority on reaching the most profitable and most likely prospects (including current customers) first.
- New product introductions or product enhancements should be implemented only if they can produce significant and tangible results, without placing undue demands on managers at this critical time.
- Existing fee structures should be analyzed to determine if opportunities exist to improve income from marginally profitable services without losing accounts.
- Advertising production costs should be examined for possible savings opportunities. Some areas which can significantly reduce costs include combining press runs on different brochures and using statement envelopes from inventory for direct mail rather than custom-printing.
- Advertising must be sharply focused on both the right products and the right audience.
- Customer contact staff should be educated and motivated to sell. Each new service sold puts the bank closer to higher earnings.

An important part of planning is measuring results. This periodic "report card" should be translated into earnings performance, not just response rates or awareness levels. This information can help you confirm you are making the right decisions about expenditures and alert you to other opportunities to improve profits.

Regardless of the economic environment, it is always good business to make certain your expenditures are productive. But during earnings declines, demonstrating the effectiveness of the marketing investment can minimize the temptation for management to use the short-term fix of cutting marketing expenses to improve month-end profits.

By establishing a long-term marketing investment plan and measuring its effectiveness, your bank will benefit in the short term, and be stronger than ever when conditions return to normal.

Tables 1 and 2 on Pages 10 and 13 provide a detailed picture of how much banks are spending on marketing.

Table 1 shows the average expenditure by expenditure type and the asset size of the bank. Table 2 shows the same type of information only based on the median (or middle value) budget.

Each table shows how much banks spent for 36 different marketing categories including five major functional areas:

- Advertising
- Public Relations
- Sales Promotion
- Staff Sales/Customer Relations Training
- Marketing Research

Across the top of each table are the nine asset ranges from under $10 million to over $5 billion. To use the table to learn how much the average bank your size might spend on newspapers, for example, simply read across the top of the asset ranges then down to "Newspapers" within the advertising category.

Thus, a $750 million bank,*on average*, spends $111,500.

The *median expenditure* for the same size bank, as shown in Table 2, would be $85,000.

The total marketing expenditures — both average and median — are shown at the bottom of each of the respective tables. The averages in each of the line items will not necessarily sum to the bottom "total" line in these tables because not all respondents included details for each item. Nevertheless, the "line" in each individual category amount represents the true average (or median) for all banks reporting expenditures.

Average Expenditures

The average expenditure by banks in 1990 for marketing ranged from $12,800 for banks under $10 million to a high of $5,098,900 for banks with over $5 billion in assets.

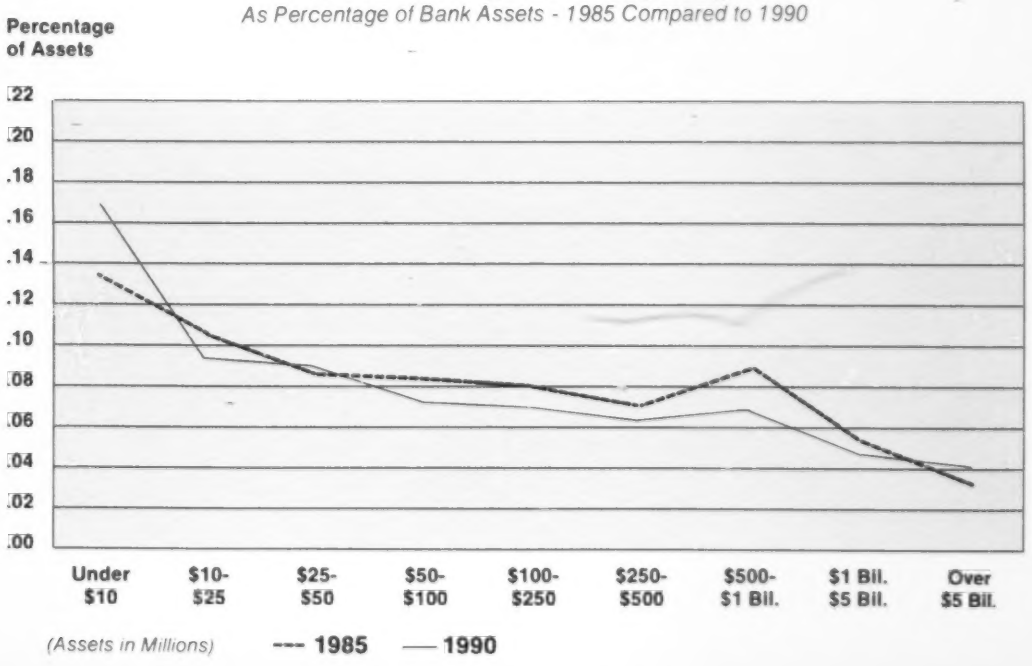
The average expenditure for 1990 is somewhat lower than for 1989 in each asset category, with the exception of that for banks between $1 billion and $5 billion in assets. In that asset range, the average expenditure rose from $1,237,200 to $1,421,000 this year. Figure A provides a graphic comparison of the average expenditure for both years in each asset range.

To illustrate how marketing budgets are influenced by asset size, an index can be created relating the size of the bank to the average expenditure for each asset range. For example, the average marketing expenditure for banks in the $500 million to $1 billion category is $535,810.

(text continues on Page 11)

Index of Average Marketing Budget

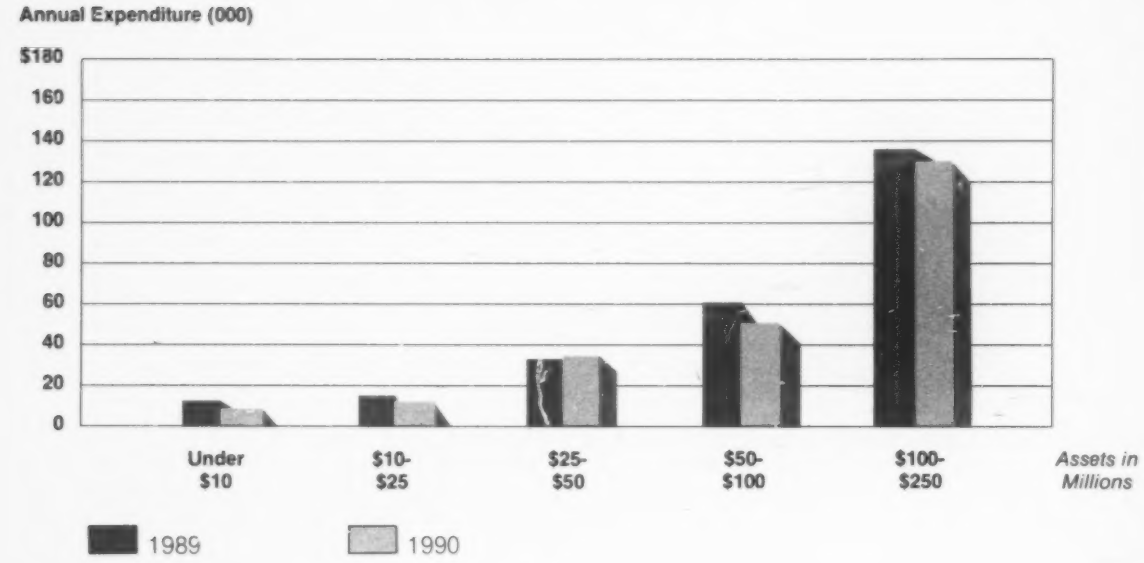
As Percentage of Bank Assets - 1985 Compared to 1990



1989 AND 1990 AVERAGE MARKETING EXPENDITURES

The two graphs below compare the total average expenditures for 1989 and 1990 by asset size (Data for 1990 from Table 1; text on Page 8).

Figure A



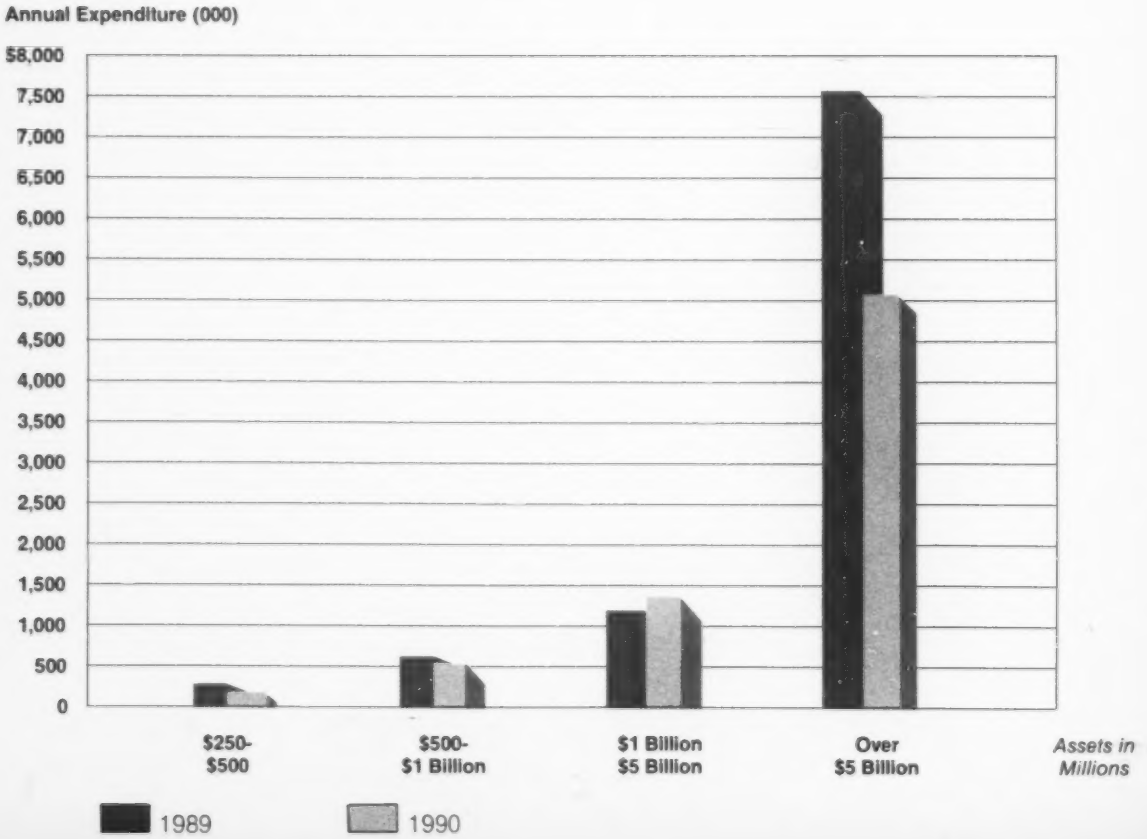


TABLE 1
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1990, $000)

Expenditure Type	Asset Size in Millions: Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ 2	$ 1.7	$ 2.5	$ 2.5	$ 3.6	$ 7.4	$ 15.6	$ 37.3	$ 68.3
Directories (telephone, bank, city, etc.)	.6	.9	1.8	2.6	4.3	7.0	12.1	30.0	70.1
Newspapers	2.8	5.0	6.6	10.0	21.1	43.5	111.5	253.8	882.0
Television	.6	2.2	3.1	3.6	13.6	20.5	75.0	231.9	891.7
Radio	2.8	2.2	4.7	9.1	15.5	26.9	46.2	129.5	578.7
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	.8	2.6	3.9	3.9	6.4	14.2	46.2	123.6	450.9
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	.5	1.4	3.2	4.3	9.0	17.9	35.2	83.5	125.6
Production Expenses (artwork, talent, etc.)	.4	1.8	2.5	3.3	8.2	22.2	56.3	124.4	431.9
Fees & Commissions (advertising agency, media representative, consultants, etc.)	5.4	1.4	5.1	4.4	11.2	20.6	43.7	87.8	327.8
All Other Advertising	1.4	3.1	3.3	5.3	11.1	17.9	34.8	68.4	200.2
Sub-Total for Advertising	**5.1**	**9.4**	**18.3**	**30.3**	**67.1**	**144.8**	**353.9**	**891.6**	**3352.3**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	.7	1.9	2.6	3.6	6.7	13.4	32.9	95.8	272.4
Media Relations (press releases, press conferences, etc.)	3.5	.6	1.8	.6	2.1	1.7	4.6	7.0	43.6
Publications (community service publications, newsletters, etc.)	.3	1.1	1.0	1.9	4.2	7.1	10.4	18.1	43.8
Special Events (seminars, anniversaries, open house, etc.)	1.2	1.4	3.4	4.7	8.4	13.3	30.0	43.0	71.6
Public Relations Consultants Fees		.2	7.3	7.5	9.0	2.8	12.9	29.2	87.8
Donations (includes donation advertising—schools, churches, civic clubs)	2.7	3.0	5.1	9.3	21.1	31.4	46.2	123.1	456.7
All Other Public Relations	4.4	2.7	6.3	7.2	8.6	16.9	14.4	90.7	111.8
Sub-Total for Public Relations	**4.9**	**4.7**	**10.3**	**16.5**	**35.4**	**56.4**	**101.2**	**258.7**	**630.4**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	—	1.6	1.9	2.3	5.4	14.2	12.6	50.9	98.4
Newcomer Services (non-salary only)	—	1.0	1.7	1.1	1.8	4.1	3.5	11.3	20.3
Specialties (giveaways, such as calendars, pens, etc.)	1.3	2.7	3.7	4.2	9.4	12.7	17.2	26.2	85.0
Point-of-Sale Materials (displays, banners, brochures, etc.)	.6	.8	2.1	2.5	4.4	9.7	23.5	89.5	176.9
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	.3	.8	2.0	2.5	8.4	9.6	11.4	66.7	315.7
All Other Sales Promotion Expenses	.2	1.6	4.5	5.6	9.4	7.9	4.7	126.8	141.6
Sub-Total for Sales Promotion	**1.8**	**3.3**	**6.0**	**7.2**	**19.1**	**29.8**	**54.0**	**186.5**	**525.6**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	.6	1.5	1.9	2.5	4.1	11.0	11.7	15.6	69.3
Non-Salary Internal Expenses (development, printing, classroom, etc.)	.2	.9	2.2	1.4	2.8	3.2	3.5	33.2	43.8
All Other Sales Staff/Customer Relations Training	3.1	.5	1.3	3.3	6.3	6.8	25.6	19.6	205.6
Sub-Total for Staff Sales/Customer Relations Training	**2.0**	**1.8**	**2.5**	**3.8**	**6.9**	**11.6**	**19.4**	**50.4**	**152.5**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	3.4	1.1	1.7	2.9	5.7	6.8	14.4	56.2	238.8
Non-Salary Internal Expenses	10.0	.9	.6	2.5	3.0	2.2	7.3	18.2	118.0
All Other Marketing Research	—	—	1.8	4.9	2.9	2.5	4.9	5.4	237.7
Sub-Total for Marketing Research	**5.9**	**1.2**	**1.8**	**4.4**	**6.2**	**6.6**	**18.8**	**66.8**	**342.4**
All Other Non-Salary Marketing Expenses	4.0	3.1	4.3	3.6	15.1	19.0	15.5	142.3	1681.8
Total Marketing Expenditures	**12.8**	**17.1**	**35.3**	**56.2**	**128.7**	**243.5**	**535.8**	**1421.0**	**5098.9**

(continued from Page 8)

That figure can then be divided by the midpoint of that asset range ($750 million which equals .00071 or .071%). Thus, this figure indicates that, on average, banks in this asset range have a marketing budget equal to about .071% of their total assets. (Note that midpoint for banks under $10 million is assumed to be $7.5 million and for those banks over $5 billion in assets it is assumed to be $12.5 billion.)

The other asset ranges and the index for each are shown in the graph on Page 8, along with a comparison of the index as surveyed in the *Analysis* in 1985.

This graph clearly reveals how the marketing budget as a percentage of total bank assets declines as the size of the bank increases. This probably is a result of the effect of economies of scale in larger banks, such as in media buying, agency services and other expenditures.

Even though this index demonstrates an important phenomenon of budgeting in banks, it should be used only in the very broadest sense for comparison and not as a formula for budgeting your bank's expenditures. Because the data are derived from wide asset ranges, there are likely to be significant budget variances within each of these nine ranges. For example, Table 23 shows not only the average and median expenditures, but also the minimum and maximum for each of the nine asset range, illustrating the wide variance in budgets.

And, the budgeting process, as described earlier in "Budgeting for Bank Marketing" (Page 3) is much more than simply allocating a percentage of your assets to marketing. Other tables later in this report show how the type and size of your market also influence the size of the budget within each asset category.

Median Expenditures

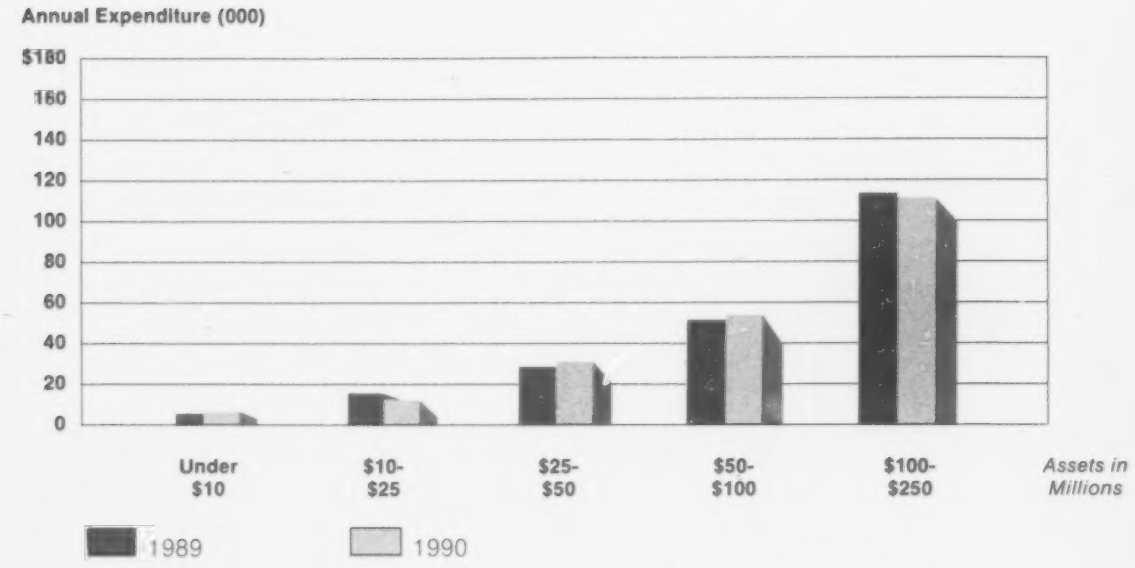
The median expenditure, representing the middle value of a rank order set of statistic, is another useful tool to provide better understanding of how much banks spend for marketing. Table 2 and the graph in Figure B show the median amounts spent by banks in 1990.

For the total marketing budget, the median expenditures range from $7,700 for banks with less than $10 million in assets to a high of $3,551,000 for banks with more than $5 billion in assets. The median expenditure for each of 30 individual line items also is shown in Table 2. For example, the median expenditure for newspaper advertising among banks with $500 million to $1 billion in assets is $85,000. As noted earlier, median expenditures typically are lower than the computed average expenditure for any particular category.

1989 AND 1990 MEDIAN MARKETING EXPENDITURES

The two graphs below compare median expenditures by asset size for 1989 and 1990 (Data for 1990 from Table 2; text on Page 11).

Figure B



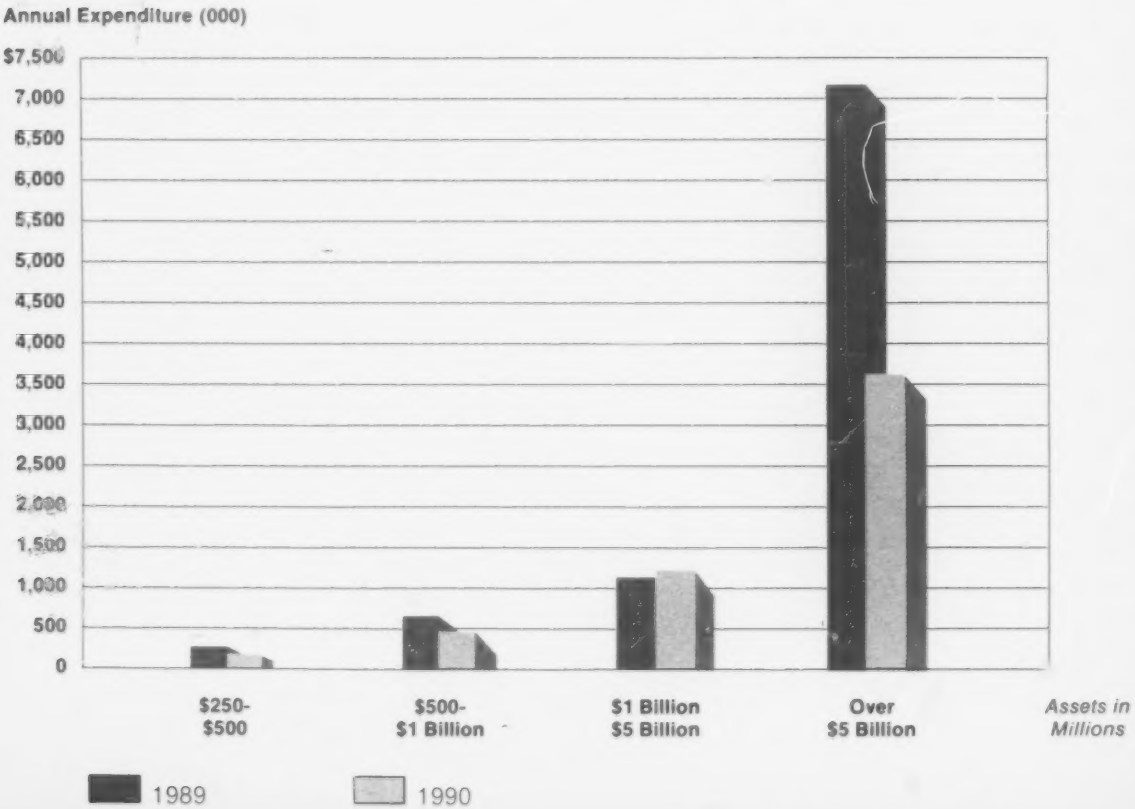


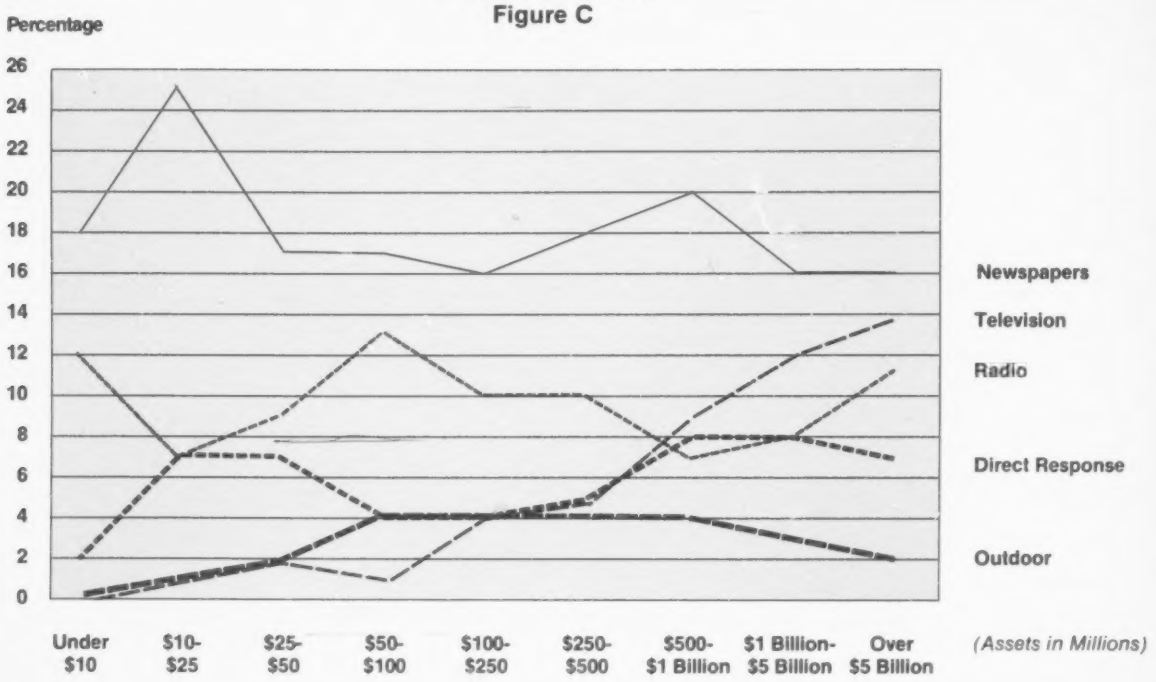
TABLE 2
MEDIAN MARKETING EXPENDITURES BY EXPENDITURE TYPE AND ASSET SIZE
(All Reporting Banks - 1990, $000)

Expenditure Type	Asset Size in Millions: Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	$ .2	$ .5	$ 1.0	$ 1.5	$ 1.6	$ 4.9	$ 10.5	$ 25.0	$ 35.0
Directories (telephone, bank, city, etc.)	.4	.8	1.0	1.5	3.0	5.3	7.0	19.7	35.0
Newspapers	1.3	3.0	4.8	8.0	16.5	37.5	85.0	175.0	612.3
Television	.6	1.0	2.2	1.5	6.4	15.0	27.3	123.0	750.1
Radio	1.0	1.8	3.0	8.0	12.8	16.0	30.0	75.0	500.0
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	1.0	1.0	2.0	2.2	4.0	10.0	25.0	65.0	386.0
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	.5	.6	1.4	3.0	6.0	13.4	25.0	53.0	80.0
Production Expenses (artwork, talent, etc.)	.4	1.2	1.0	2.2	5.6	16.0	32.4	84.2	300.0
Fees & Commissions (advertising agency, media representative, consultants, etc.)	3.0	1.1	2.0	3.1	7.8	13.4	39.4	53.0	200.0
All Other Advertising	1.1	1.0	1.6	3.2	7.4	14.0	15.4	57.8	60.0
Sub-Total for Advertising	**2.0**	**6.8**	**15.0**	**26.1**	**60.1**	**135.6**	**288.0**	**780.5**	**3000.0**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	.5	1.0	1.0	2.0	3.5	10.0	28.0	66.8	200.0
Media Relations (press releases, press conferences, etc.)	3.5	.2	.7	.5	1.0	1.0	2.0	3.0	20.0
Publications (community service publications, newsletters, etc.)	.2	1.0	.6	1.0	2.0	5.0	8.0	10.0	40.0
Special Events (seminars, anniversaries, open house, etc.)	1.1	1.0	1.5	2.0	5.0	9.4	12.0	19.0	25.0
Public Relations Consultants Fees	—	.2	5.0	1.9	7.0	2.4	10.0	11.9	100.0
Donations (includes donation advertising—schools, churches, civic clubs)	2.0	2.0	3.5	6.7	13.7	20.0	30.0	51.0	160.6
All Other Public Relations	4.0	.5	3.0	3.5	5.0	10.6	12.9	30.0	23.6
Sub-Total for Public Relations	**2.7**	**3.6**	**6.1**	**11.7**	**26.0**	**45.0**	**74.0**	**199.0**	**320.0**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	—	1.0	1.0	2.0	3.0	9.5	10.0	25.0	21.0
Newcomer Services (non-salary only)	—	1.0	.5	.8	1.0	2.0	2.0	5.0	16.5
Specialties (giveaways, such as calendars, pens, etc.)	1.0	2.0	2.3	3.8	6.7	10.0	10.5	15.0	46.1
Point-of-Sale Materials (displays, banners, brochures, etc.)	.5	.8	1.0	1.5	3.0	5.0	14.0	39.9	100.0
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	.1	.5	1.0	1.3	3.6	5.0	5.0	28.0	95.0
All Other Sales Promotion Expenses	.2	.5	1.0	1.5	5.0	5.7	4.9	24.0	18.0
Sub-Total for Sales Promotion	**1.0**	**3.0**	**3.7**	**5.5**	**14.5**	**26.3**	**51.4**	**94.1**	**270.0**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	.6	1.0	1.0	1.2	2.0	3.0	8.0	10.0	22.1
Non-Salary Internal Expenses (development, printing, classroom, etc.)	.1	.5	.5	.5	1.5	2.0	2.4	5.0	15.5
All Other Sales Staff/Customer Relations Training	3.3	.2	1.0	2.0	2.0	5.0	8.0	10.0	11.1
Sub-Total for Staff Sales/Customer Relations Training	**1.0**	**1.5**	**1.2**	**2.0**	**3.0**	**5.0**	**10.0**	**30.0**	**100.0**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	.8	1.0	1.0	1.9	3.3	5.0	13.0	39.7	200.0
Non-Salary Internal Expenses	10.0	.5	.5	1.0	1.5	1.8	3.9	11.5	18.0
All Other Marketing Research	—	—	1.5	3.5	1.5	2.0	5.0	2.6	126.6
Sub-Total for Marketing Research	**.8**	**1.0**	**1.0**	**2.0**	**3.0**	**5.0**	**17.0**	**40.7**	**297.4**
All Other Marketing Expenses	1.0	2.0	3.2	2.5	6.4	5.5	10.0	132.0	425.0
Total Marketing Expenditures	**7.7**	**13.0**	**29.0**	**55.2**	**115.4**	**226.2**	**450.0**	**1163.3**	**3551.0**

PRIME MEDIA BY PERCENTAGE OF TOTAL MARKETING BUDGET

(Taken from Table 3)

Figure C



Percentage Allocations

The percentage distribution of the marketing budget among the 36 different categories is shown in Table 3. This data divides the 100% total of the marketing budget into the various marketing functions to illustrate how banks of different sizes allocate their budget.

Advertising

In 1990 and in each of the prior eight years the *Analysis* research has been conducted, advertising has accounted for the largest portion of the marketing budget. And, as shown in Table 3, the percentage of the budget allocated to advertising increases as the size of the bank increases.

For example, banks with less than $250 million in assets spent between 40% and 55% of their total marketing budget on advertising. In the larger banks, between $250 million and $5 billion or more, the percentage allocated to advertising increases even more to between 59% and 66%.

This increase could be accounted for in part by the tendency of larger banks to spend a larger portion of their budget on mass media such as television.

The single largest category of expenditure within advertising is newspapers, accounting for 18% to 25% of the smaller banks' budgets and 16% to 20% of the larger banks' budgets.

The next largest expenditures are for television and radio. Television increases from no allocation in the banks with less than $10 million in assets to 1% to 2% in banks under $100 million to 4% to 9% in the mid-size banks and to a high of 12% to 14% for the banks with more than $1 billion in assets. And, as shown clearly by Figure C, the proportion spent on television increases steadily with the size of the bank.

Radio also accounts for an important portion of the marketing budget but it varies considerably among the various asset ranges. For example, among banks with $10 million to $25 million in assets, only 7% of the budget is allocated to radio. However, 13% is allocated among banks with $50 million to $100 million in assets. Similarly, banks with $500 million to $1 billion spent 7% of their budget on radio while those with over $5 billion spent 11%.

Direct response follows radio in the amount spent, with the proportion increasing as the size of the bank

increases. For example, banks with less than $10 million in assets spent only 2% of their total marketing budget on direct response, and mid-size banks spent only 4% to 5% of their budget on it. However, some smaller banks (those with assets between $10 million and $50 million) spent 7%, as did those banks with more than $5 billion in assets. Banks between $500 million and $5 billion in assets spent 8% of their budget on direct response. (Note: see the special section on Direct Mail marketing beginning on page 28).

Production expenses accounts for a significant portion of the budget, ranging from only 2% to 3% in the smallest banks to a high of 6% at banks with more than $5 billion in assets.

Fees and commissions for advertising agencies also increase as the size of the bank increases. They range from 1% to 6% of the budget.

Outdoor advertising is used more by mid-size banks (4% of the budget) than by smaller banks (1% or less). At larger banks, 2% to 3% of the budget is allocated to outdoor advertising.

Directories account for about 1% to 4% of the budget and magazines for only 1% to 2% of the marketing budget.

Public Relations

While advertising allocations increase with bank size, public relations expenditures decrease. For example as shown in Table 3, 35% of the marketing budget in the smallest banks is used for public relations, compared to only 23% to 29% in the mid-size banks and only 11% in the very largest banks.

The single largest item within public relations is donations. They account for 13% to 15% of the total budget in banks up to $250 million in assets. The proportion declines to only 12% at banks between $250 and $500 million and to only 6% in banks with more than $5 billion in assets.

Special events also account for a significant share. In smaller banks, they average about 4% to 6% of the total marketing budget and in mid-size banks 4% to 5%. But in the largest banks, only 1% to 2% of the total budget is allocated to special events.

Shareholder/investment community expenditures account for 1% to 4% of the marketing budget, generally increasing with the size of the bank.

Expenses for media relations or public relations consultants fees account for less than 1% of the marketing budget.

Sales Promotion

This category, which accounts for 9% ro 15% of the budget typically includes expenditures for premiums, giveaways (key chains, pens, etc.) newcomer services, point-of-sale materials and staff incentives.

The largest category under sales promotion is for specialties, consisting generally of 'giveaway' items. They account for 5% to 10% of expenditures in the smallest banks but decline to only 1% to 3% at the largest banks.

Point-of-sale materials (such as lobby banners, signage, brochures and sales displays) rise from 1% of the budget at the smallest banks to 2% at mid-size banks and 3% at the largest.

The amount allocated to employee incentives varies from 1% to 2% of the budget but is not directly correlated to asset size.

Staff Sales/Customer Relations Training

Training expenditures for marketing purposes is proportionately higher at smaller banks than at larger banks. For example, banks under $100 million spend 6% to 4% of their marketing budget on this type of training. The percentage declines to 3% at mid-size banks and to only 2% at the largest institutions. The decline in the percentage at larger banks does not necessarily represent any less emphasis, but simply economies of scale. Because most training expenses are fixed costs, such as for training manuals or videotapes, the amount does not increase proportionately with bank size.

Marketing Research

Expenditures for marketing research increase with the size of the bank. Smaller banks spend 1% to 2% annually, while larger banks spend 3% to 7%. Within this category, the largest portion of expenditures occurs for consultants, field work and data processing.

TABLE 3
PERCENTAGE OF REPORTING BANK BUDGETS SPENT ON EACH EXPENDITURE TYPE IN 1990 BY ASSET SIZE

(All Reporting Banks - 1990, Percentages)

Expenditure Type	Asset Size in Millions: Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	*	2%	2%	1%	1%	2%	2%	2%	1%
Directories (telephone, bank, city, etc.)	1	4	4	4	3	3	2	2	1
Newspapers	18	25	17	17	16	18	20	16	16
Television	*	1	2	1	4	5	9	12	14
Radio	12	7	9	13	10	10	7	8	11
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	2	7	7	4	4	5	8	8	7
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	*	1	2	4	4	4	4	3	2
Production Expenses (artwork, talent, etc.)	*	3	2	3	4	7	8	7	7
Fees & Commissions (advertising agency, media representative, consultants, etc.)	4	1	4	3	4	5	4	4	6
All Other Advertising	2	3	2	3	3	2	2	1	2
Sub-Total for Advertising	**40**	**55**	**52**	**54**	**52**	**59**	**66**	**63**	**66**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	1	3	3	3	3	3	4	4	2
Media Relations (press releases, press conferences, etc.)	1	*	1	*	*	*	*	*	*
Publications (community service publications, newsletters, etc.)	*	2	1	1	2	1	1	1	*
Special Events (seminars, anniversaries, open house, etc.)	4	4	6	6	5	4	4	2	1
Public Relations Consultants Fees		*	1	1	1	*	*	*	*
Donations (includes donation advertising—schools, churches, civic clubs)	15	14	13	15	15	12	7	7	6
All Other Public Relations	4	1	3	3	2	2	1	2	*
Sub-Total for Public Relations	**35**	**25**	**28**	**29**	**27**	**23**	**19**	**18**	**11**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	—	*	1	*	1	1	1	1	1
Newcomer Services (non-salary only)	—	1	1	*	*	1	*	*	*
Specialties (giveaways, such as calendars, pens, etc.)	5	10	8	6	6	4	3	1	1
Point-of-Sale Materials (displays, banners, brochures, etc.)	1	1	2	2	2	3	3	5	3
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	*	1	2	1	3	2	1	2	4
All Other Sales Promotion Expenses	*	1	1	1	1	1	*	2	1
Sub-Total for Sales Promotion	**9**	**15**	**15**	**11**	**14**	**12**	**10**	**12**	**10**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	1	2	2	2	1	2	1	*	1
Non-Salary Internal Expenses (development, printing, classroom, etc.)	*	1	1	*	1	*	*	1	*
All Other Sales Staff/Customer Relations Training	3	*	1	1	1	*	*	*	1
Sub-Total for Staff Sales/Customer Relations Training	**6**	**4**	**4**	**4**	**3**	**3**	**2**	**2**	**2**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	4	*	1	1	1	1	2	2	4
Non-Salary Internal Expenses	3	*	*	*	*	*	*	*	1
All Other Marketing Research	—	—	*	*	*	*	*	*	1
Sub-Total for Marketing Research	**8**	**1**	**1**	**2**	**2**	**2**	**3**	**4**	**7**
All Other Marketing Expenses	3	1	1	1	2	1	*	2	5
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

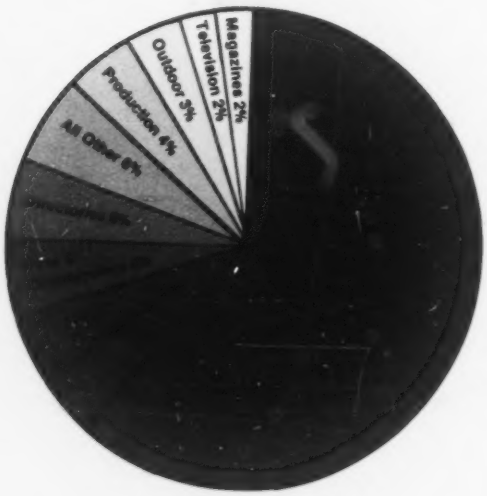
* = Less than 0.5%

TABLE 3A
ADVERTISING EXPENDITURES AS A PERCENTAGE OF ADVERTISING BUDGET
(All Reporting Banks - 1990, Percentages)

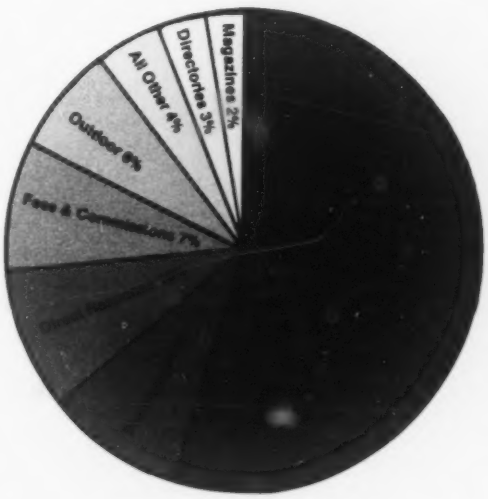
Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	*	4%	4%	2%	2%	3%	3%	3%	1%
Directories (telephone, bank, city, etc.)	3	6	8	7	5	4	3	3	2
Newspapers	46	45	33	31	29	29	30	27	27
Television	*	2	4	3	8	8	13	19	21
Radio	30	14	18	25	19	17	10	12	16
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	4	14	13	8	7	8	12	12	11
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	1	2	4	7	8	7	6	5	2
Production Expenses (artwork, talent, etc.)	*	5	5	5	8	12	13	11	11
Fees & Commissions (advertising agency, media representative, consultants, etc.)	9	2	7	6	8	8	7	6	8
All Other Advertising	6	6	4	6	6	4	3	2	3
Total Marketing Expenditures	100	100	100	100	100	100	100	100	100

* = Less than 0.5%

Banks under $100 million



Banks over $100 million



Expenditures as a Percentage of Advertising

While Table 3 shows the percentage of the **total marketing budget** allocated to each of the individual marketing functions, Table 3A shows the **advertising portion alone.**

As an example, for banks with between $250 million and $500 million in assets, newspapers account for 18% of the total marketing budget as reported in Table 3.

However, as shown in Table 3A, newspapers account for 29% of the advertising budget. Thus, this table may be helpful to you in determining allocations of expenditures within your advertising budget rather than as a portion of the total marketing expenditures.

Table 4 is helpful in understanding which banks are using each of the more than 30 different line items in the budget format. Thus, while Table 3 shows the percentage *amount* spent on each category, Table 4 shows the *percentage of banks using* each type.

Advertising

All of the banks which responded to the survey indicated some type of expenditure for advertising. The most widely used medium within advertising is newspapers, used by 83% of the smaller banks but up to 98% of the mid-size and larger banks.

Directories also are widely used for advertising, by at least 25% of the smaller banks and as much as 91% of the larger banks. Radio usage tends to increase somewhat as the size of the bank increases. For example, only 54% of the smallest banks use it while 69% to 82% of mid-size banks use it and up to 93% of the largest banks do. Direct response advertising is closely linked to asset size with only 29% of the smallest banks using it, 61% to 83% of the mid-size using it and 79% to 90% of the largest banks using it.

Magazine usage is relatively low at the smaller banks, varying between 8% to 20%. Among mid-size banks it increases to 32% to 60% and reaches as high as 71% usage among the largest banks.

Outdoor and transit advertising approximately parallels magazine usage increasing from 8% in smaller banks to about 50% in mid-size banks and reaching as high as 64% at the largest institutions.

Television advertising shows one of the most dramatic links with asset size, increasing from only 4% usage at the smallest banks to 22% to 39% at the mid-size banks and reaching as high as 79% in the largest banks.

Public Relations

From 86% to 100% of banks reported expenditures for public relations activities, depending on the asset size of the bank. Overall, usage varies from 86% to 100%.

The most common expenditure is for donations which range between 71% to 90% at banks with less than $100 million in assets and from 71% to 94% at banks with more than $100 million in assets. It should be noted that donations or contributions also frequently are reported as budget items separate from the marketing budget. This may be the case in banks over $5 billion where only 71% reported an expenditure for donations. Overall, more than two-thirds of banks reported expenditures for special events such as seminars, and anniversaries. Actual usage ranges from 38% to 67% at banks under $100 million and up to 69% to 78% at banks over $100 million.

Stockholder / investment community relations expenditures were reported as part of the marketing budget by 29% to 42% of the banks with less than $100 million in assets. For banks with more than $100 million in assets, 29% to 79% reported expenditures although these activities, like donations, are occasionally reported separate from the marketing budget in larger institutions.

Publications such as newsletters or community service publications were included in the budgets of 17% to 36% of the banks with less than $100 million in assets and by 46% to 57% of the larger banks.

Use of media relations expenditures such as for press releases or press conferences clearly rise with the size of the bank. Only 4% to 14% of the smallest banks reported such expenditures while up to 50% of the largest banks did.

Public relations consultants are used by only 1% to 5% of the banks with less than $100 million in assets but by 2% to 21% of the banks with more than $5 billion in assets.

Sales Promotion

Sales promotion expenditures such as for premiums, newcomer services, and giveaways were reported by most banks.

Among smaller institutions, 63% to 87% reported some type of expenditure for sales promotion, while among larger banks, 94% to 100% reported expenditures. The most frequently used area was specialities, which typically includes such items as calendars, pens, key chains, etc. Fifty per cent to 78% of the smallest banks reported such expenditures, while 71% to 85% of the larger banks did.

Point-of-sale materials such as displays, banners and brochures were reported as expenditures by 13% to 46% of banks with less than $100 million in assets and by 60% to 84% of banks with more than $100 million in assets.

Employee incentives, those related directly to employee sales or customer relations efforts, were reported as expenditures by 8% to 33% of the banks with less than $100 million in assets and by 46% to 71% of the banks with more than $100 million in assets.

Other sales promotion activities used less frequently include newcomer services with expenditures reported by 9% to 12% of the banks with between $10 million and $100 million in assets. They were reported by 20% to 36% of banks with more than $100 million in assets.

Premiums were used by only 4% to 11% of the banks with assets between $10 million and $100 million and by 18% to 50% of the banks with more than $100 million in assets.

Staff Sales/Customer Relations

Slightly more than one-half of the banks reported an expenditure for staff sales/customer relations training. The items normally included in this function are generally for external expenses, such as consultant fees and training materials or facilities. Among the smaller banks, 21% to 44% reported expenditures for external expenses including consultant fees, materials and facilities. In banks with more than $100 million in assets 36% to 57% reported expenditures for external expenses.

The use of nonsalary internal expenses, such as development of programs, printing, and classroom materials were reported by 13% to 19% of the banks with $100 million in assets and by 25% to 50% of the banks with more than $100 million in assets.

Marketing Research

Slightly more than 40% of all responding institutions reported an expenditure for marketing research. The most common expenditure was for external expenses, such as suppliers, consultants, field firms, and data processing. Those types of expenditures were reported by 7% to 17% of the banks with less than $100 million in assets and by 28% to 93% of the banks with more than $100 million in assets. The use of this category increased directly with the increasing size of the bank.

Expenditures for nonsalary internal expenses varied from only 4% to 8% at the smaller banks and from 10% to 43% at the largest institutions.

TABLE 4
PERCENTAGE OF BANKS REPORTING MARKETING EXPENDITURES OF EACH TYPE IN 1990 BY ASSET SIZE

(All Reporting Banks - 1990, Precentages)

Expenditure Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
ADVERTISING									
Magazines (consumer, trade, etc.)	8%	20%	32%	27%	35%	50%	60%	68%	71%
Directories (telephone, bank, city, etc.)	25	69	76	77	84	91	87	84	86
Newspapers	83	86	93	96	95	98	96	92	93
Television	4	8	22	22	39	54	63	72	79
Radio	54	58	69	82	80	87	77	84	93
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	29	50	61	62	73	83	90	90	79
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	8	12	22	51	56	60	63	58	64
Production Expenses (artwork, talent, etc.)	4	26	34	44	63	75	81	80	86
Fees & Commissions (advertising agency, media representative, consultants, etc.)	8	12	27	40	47	60	54	64	86
All Other Advertising	21	18	23	37	34	33	31	24	50
Sub-Total for Advertising	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
PUBLIC RELATIONS									
Stockholder/Investment Community (annual report, meetings, etc.)	29	27	38	42	54	56	71	66	29
Media Relations (press releases, press conferences, etc.)	4	8	14	8	17	28	40	42	50
Publications (community service publications, newsletters, etc.)	17	27	36	33	48	46	46	48	57
Special Events (seminars, anniversaries, open house, etc.)	38	50	64	67	77	71	69	78	71
Public Relations Consultants Fees		1	4	5	7	2	13	18	21
Donations (includes donation advertising—schools, churches, civic clubs)	71	78	90	88	90	94	87	84	71
All Other Public Relations	13	5	14	27	27	27	25	28	14
Sub-Total for Public Relations	**92**	**91**	**96**	**97**	**99**	**98**	**100**	**98**	**86**
SALES PROMOTION									
Net Premium Expense (cost of premiums less revenues from premium sales)	—	4	11	10	21	18	25	22	50
Newcomer Services (non-salary only)	—	9	16	12	20	33	27	20	36
Specialties (giveaways, such as calendars, pens, etc.)	50	66	78	78	84	85	83	70	71
Point-of-Sale Materials (displays, banners, brochures, etc.)	13	28	32	46	60	73	79	84	79
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	8	16	31	33	49	52	58	46	71
All Other Sales Promotion Expenses	4	7	6	10	13	20	13	24	29
Sub-Total for Sales Promotion	**63**	**77**	**86**	**87**	**94**	**96**	**94**	**94**	**100**
STAFF SALES/CUSTOMER RELATIONS TRAINING									
External Expenses (consultant fees, materials, facilities, etc.)	21	24	40	44	43	45	46	36	57
Non-Salary Internal Expenses (development, printing, classroom, etc.)	13	16	19	19	25	35	33	32	50
All Other Sales Staff/Customer Relations Training	13	5	14	19	17	15	10	20	14
Sub-Total for Staff Sales/Customer Relations Training	**38**	**35**	**55**	**57**	**56**	**61**	**63**	**48**	**64**
MARKETING RESEARCH									
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	17	7	15	17	28	48	65	62	93
Non-Salary Internal Expenses	4	5	8	4	10	16	29	28	43
All Other Marketing Research	—	—	2	4	9	13	13	10	29
Sub-Total for Marketing Research	**17**	**11**	**25**	**24**	**43**	**61**	**79**	**76**	**100**
All Other Marketing Expenses	8	4	6	9	15	18	17	18	14
Total Marketing Expenditures	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

The influence of a bank's market on its budget is shown in Tables 5, 6 and 7. They reveal the average marketing expenditure by each of 30 categories along with the total expenditure related to market place factors, such as population size and type rather than only the asset size. Table 5 shows the expenditures based on four different population ranges:

- Under 100,000
- 100,000 - 500,000
- 500,000 - 1 million
- 1 million or more

The overall budget tends to be directly proportional to the size of the population. For example, the average total budget for banks in markets under 100,000 is $82,000. In markets of 100,000 to 500,000, the average marketing budget increases to $231,100; in markets of 500,000 to 1 million it increases to $619,600, and in markets of 1 million or more the average total marketing budget is $1,637,700.

When compared to the budgets reported five years ago in the Fourth Edition of the *Analysis*, the 1990's totals are generally higher. For example, in the smallest population range the average expenditure in 1985 was $67,400 compared to the $82,000 this year.

In the 100,000 to 500,000 market the expenditure declined slightly from $261,500 to its present level of $231,100. This was the only market size to show a decline in expenditures when compared to 1985.

In the markets of 500,000 to 1 million persons, the expenditures increased from $452,600 in 1985 to $619,600 this year. And, in the largest population markets the total budget rose slightly from $1,620,800 to $1,637,700.

The five major functional areas within the marketing budget also tend to fluctuate proportionately with the size of the market. For example, advertising expenditures range from $43,300 in the smallest markets to $135,900 and $407,500 in the two mid-size markets. In the largest markets, advertising expenditures average $1,062,400. All of these amounts are increases of approximately 10% over 1985's reported totals with the exception of the 500,000 to 1 million market which increased by about 30%.

Banks spent only about one-fourth to one-half of the advertising amount on public relations in 1990. In the smallest markets, they spent an average of $22,500 and in the 100,000 to 500,000 population market they spent $55,800. In the 500,000 to 1 million market their average expenditures was $103,500, and in the largest markets $232,400.

In the two smallest markets, the expenditures for sales promotion are approximately one-half the expenditures for public relations and about one-third the expenditures for advertising. In the smallest markets, they averaged $12,500 compared to $9,800 in 1985. In the next largest markets the amounts spent were about equal to those in 1985, increasing from $28,200 then to $28,700 now. In the 500,000 to 1 million population markets, banks spent significantly more in 1990 ($89,800) than in 1985 ($45,300). Average expenditures actually declined slightly in the largest markets from $200,600 to $186,900 in 1990.

Compared to 1985's totals, expenditures for Staff Sales/Customer Relations training increased in all but one category for 1990. In the smallest market bank's spent $4,200 in 1985 compared to $5,100 in 1990. In the next largest market they spent $7,500 in 1985 compared to $11,100 in 1990. There was, however, a decline from $23,000 in 1985 to $20,000 in the most recent period in markets of 500,000 to 1 million or more. And in the largest markets, expenditures increased significantly from $34,100 in 1985 to $47,500.

Marketing research expenditures also generally increased when compared to 1985. In the smallest markets they increased from $5,500 to $6,100 in the current period. In markets of 100,000 to 500,000 persons, however, the average marketing research expenditure declined somewhat from $11,500 to $8,900. There were significant increases in the two larger population size ranges, increasing from $24,300 in 1985 for the 500,000 to 1 million markets to $45,400 in 1990. And, in the largest markets they increased from $75,200 to $112,700.

The distribution of responding banks by market size was similar to that in prior years of the *Analysis*: 60.5% were in markets with less than 100,000 population; 24.4% were in markets with 100,000 to 500,000; 6.1% in markets with 500,000 to 1 million; 8.8% in markets of more than 1 million.

Average and Median Budgets

Tables 6 and 7 show in additional detail how population influences the size of the marketing budget. Table 6 reports 40 statistics for each asset range further broken down into the four population ranges:

- Average expenditure
- Minimum expenditure
- Maximum expenditure
- Median expenditure

To use Table 6, simply select the asset range and market size desired. For example, consider a $400

(Continued on page 24)

TABLE 5
AVERAGE MARKETING EXPENDITURES BY EXPENDITURE TYPE AND POPULATION SIZE
(All Reporting Banks - 1990, $000)

Expenditure Type	Population Size: Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
ADVERTISING				
Magazines (consumer, trade, etc.)	$ 2.2	$ 7.8	$ 22.7	$ 38.8
Directories (telephone, bank, city, etc.)	3.0	6.6	16.6	27.7
Newspapers	14.0	43.0	122.2	290.7
Television	10.7	29.5	123.6	395.8
Radio	10.9	21.5	71.0	228.7
Direct Response (direct mail, literature, lists, postage, stuffers, telemarketing)	4.4	14.7	76.6	137.6
Outdoor & Transit (billboards, taxi/bus, train cards, etc.)	7.3	18.1	60.5	78.5
Production Expenses (artwork, talent, etc.)	7.7	25.0	48.9	149.8
Fees & Commissions (advertising agency, media representative, consultants, etc.)	8.8	20.0	32.9	133.4
All Other Advertising	8.4	16.3	33.1	83.3
Sub-Total for Advertising	**43.3**	**135.9**	**407.5**	**1062.4**
PUBLIC RELATIONS				
Stockholder/Investment Community (annual report, meetings, etc.)	5.2	16.2	30.2	83.3
Media Relations (press releases, press conferences, etc.)	1.5	2.3	2.7	15.0
Publications (community service publications, newsletters, etc.)	3.2	5.7	12.2	18.8
Special Events (seminars, anniversaries, open house, etc.)	5.7	14.2	33.3	32.8
Public Relations Consultants Fees	6.3	14.8	7.9	40.5
Donations (includes donation advertising—schools, churches, civic clubs)	13.4	29.4	63.3	121.1
All Other Public Relations	7.5	16.0	22.8	78.6
Sub-Total for Public Relations	**22.5**	**55.8**	**103.5**	**232.4**
SALES PROMOTION				
Net Premium Expense (cost of premiums less revenues from premium sales)	5.6	9.0	50.3	54.1
Newcomer Services (non-salary only)	1.8	5.0	7.4	8.8
Specialties (giveaways, such as calendars, pens, etc.)	6.9	10.6	16.9	28.4
Point-of-Sale Materials (displays, banners, brochures, etc.)	3.9	9.7	49.0	77.7
Employee Incentives (non-salary expenses directly related to employee sales/customer relations efforts)	4.6	11.4	13.7	120.0
All Other Sales Promotion Expenses	6.3	7.6	139.2	68.2
Sub-Total for Sales Promotion	**12.5**	**28.7**	**89.8**	**186.9**
STAFF SALES/CUSTOMER RELATIONS TRAINING				
External Expenses (consultant fees, materials, facilities, etc.)	3.3	8.9	5.6	22.4
Non-Salary Internal Expenses (development, printing, classroom, etc.)	2.3	3.1	30.1	17.0
All Other Sales Staff/Customer Relations Training	4.5	5.1	2.7	54.0
Sub-Total for Staff Sales/Customer Relations Training	**5.1**	**11.1**	**20.0**	**47.5**
MARKETING RESEARCH				
External Expenses (supplier expenses such as consultants, field firms, data processing firms, etc.)	5.7	8.3	27.1	95.5
Non-Salary Internal Expenses	2.5	2.6	37.7	39.1
All Other Marketing Research	2.8	3.8	34.4	71.1
Sub-Total for Marketing Research	**6.1**	**8.9**	**45.4**	**112.7**
All Other Marketing Expenses	12.0	13.6	83.4	325.3
Total Marketing Expenditures	**82.0**	**231.1**	**619.6**	**1637.7**

TABLE 6
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND ASSET SIZE
(All Reporting Banks - 1990, $000)

Population Size	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Under 100,000									
Number of Reporting Banks	22	64	85	122	179	36	5		
Average Expenditure	**$ 13.6**	**$ 15.0**	**$ 31.9**	**$ 54.3**	**$119.7**	**$231.8**	**$334.0**		
Minimum Expenditure	2.0	.5	1.8	5.2	12.1	83.9	90.0		
Maximum Expenditure	58.3	55.9	126.5	118.0	500.0	351.9	667.3		
Median Expenditure	**8.0**	**12.0**	**24.0**	**53.2**	**101.0**	**223.5**	**241.0**		
100,000 - 500,000									
Number of Reporting Banks		7	10	29	72	53	26	10	
Average Expenditure		**31.9**	**65.6**	**65.0**	**146.0**	**251.7**	**520.4**	**768.8**	
Minimum Expenditure		2.0	30.0	11.7	12.5	57.0	160.0	292.5	
Maximum Expenditure		76.4	229.5	142.3	401.1	600.8	994.2	1295.5	
Median Expenditure		**21.8**	**42.4**	**62.0**	**135.2**	**235.0**	**418.5**	**665.1**	
500,000 - 1 Million									
Number of Reporting Banks			d	d	17	6	12	12	d
Average Expenditure					**136.9**	**250.7**	**464.5**	**1675.3**	
Minimum Expenditure					44.3	98.0	86.3	436.1	
Maximum Expenditure					344.7	459.3	1235.6	3472.0	
Median Expenditure					**117.4**	**230.0**	**359.0**	**1236.3**	
1 Million or More									
Number of Reporting Banks				d	11	12	9	26	13
Average Expenditure					**162.5**	**252.7**	**787.5**	**1614.9**	**5293.1**
Minimum Expenditure					68.8	76.5	427.0	82.7	230.5
Maximum Expenditure					326.9	760.5	1175.0	4966.0	11608.2
Median Expenditure					**124.2**	**161.0**	**743.9**	**1242.6**	**3950.0**

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank.

TABLE 7
AVERAGE AND MEDIAN MARKETING EXPENDITURES BY POPULATION SIZE AND MARKET TYPE
(All Reporting Banks - 1990, $000)

Population Size	Market Type				
	More than One State	Statewide	Urban	Suburban	Rural
Under 100,000					
Number of Reporting Banks	4		57	94	354
Average Expenditure	**$ 33.7**		**$123.0**	**$105.1**	**$ 69.9**
Minimum Expenditure	3.0		14.6	4.2	.5
Maximum Expenditure	76.4		500.0	351.9	667.3
Median Expenditure	**13.0**		**98.7**	**77.0**	**52.7**
100,000 -500,000					
Number of Reporting Banks	5	7	69	88	37
Average Expenditure	**238.3**	**551.1**	**244.0**	**212.1**	**193.6**
Minimum Expenditure	95.1	98.7	2.0	9.4	43.4
Maximum Expenditure	326.1	994.2	1145.8	863.6	1295.5
Median Expenditure	**256.4**	**463.9**	**160.0**	**147.3**	**120.0**
500,000 - 1 Million					
Number of Reporting Banks		7	23	21	d
Average Expenditure		**1242.4**	**402.7**	**659.3**	
Minimum Expenditure		98.0	15.6	39.0	
Maximum Expenditure		3472.0	2515.0	2574.0	
Median Expenditure		**436.1**	**230.0**	**182.8**	
1 Million or More					
Number of Reporting Banks	10	23	24	17	d
Average Expenditure	**3669.4**	**2239.9**	**686.0**	**938.9**	
Minimum Expenditure	71.0	7.3	58.9	23.3	
Maximum Expenditure	11608.2	9530.5	5430.2	3491.3	
Median Expenditure	**2300.0**	**1103.0**	**283.2**	**326.7**	

d — Disclosure: Reporting this data could make it possible to identify an individual responding bank.

million bank in a market of 100,000 to 500,000 persons. The average expenditure for marketing was $251,700 in 1990, compared to a median expenditure of $235,000. The lowest or minimum expenditure was $57,000 and the highest or maximum expenditure was $600,800. Continuing the example, the average expenditure for the same size bank in the smallest market was $231,800 and in the largest market the average expenditure was $252,700.

Table 7 shows comparable data on average, minimum, maximum, and median expenditures based on the type of market in which the bank is located and its population:

- More than one state
- Statewide
- Urban
- Suburban
- Rural

As an example, in a suburban market of 100,000 to 500,000 population, the average expenditure is $212,100, and the median expenditure is $147,300, as shown in Table 7.

You may find these tables helpful not only in identifying how your budget compares to other banks' in similar markets, but also in estimating how your competitors are likely to be spending.

Spending levels are influenced not only by the size of the bank, but also by other external factors such as availability of media in a market and the demographics of its residents.

The strategic direction of your bank also is a key factor. Banks of similar size and similar markets will spend differently if one targets the mass consumer market and the other seeks business customers.

Each year the *Analysis* tracks how institutions allocate their total marketing budget among the various bank services.

Tables 8 through 12 show how the allocations varied this year based on asset size, population, and type of market among five general types of service categories:

- Retail (to individuals)
- Commercial/Corporate (to businesses)
- Trust
- Institutional
- Other

By far, marketing of retail services accounts for the largest share of the budget, as shown in Table 8.

The largest percentage allocations for retail tend to occur among both the smallest and the largest banks. For example, among banks under $25 million in assets, 70% to 71.8% of the budget is allocated to retail marketing. And, among banks of $1 billion or more, 65.3% to 73.5% of the total budget is allocated to retail services. Among the middle range of banks, only 52.7% to 64% of the budget is for retail services.

Five years ago, in the study of 1985 expenditures, the *Analysis* noted the decline in emphasis on retail services with the increase in the asset size of the bank. However, in more recent years, including last year's study, the allocation for retail tended to increase again among larger banks.

The portion of the budget allocated to commercial/corporate marketing tends to decline as the size of the bank increases. For example, among banks under $100 million, the portion allocated to commercial/corporate varies from 19.3% to 23.3%. However, among larger banks the percentage begins a decline from 19.3% at banks of $100 to $250 million to only 6% at banks of $5 billion or more. When compared to data of five years ago, these figures indicate a slightly lower emphasis now on commercial marketing among larger banks.

The proportion of the budget spent on trust services tends to increase with the size of the bank. For example, in the smallest banks of less than $25 million in assets, less than 1% of the total marketing is allocated to trust services. Among mid-size banks, the percentage varies from 1.2% to 6.3%. And, among banks with $1 to $5 billion in assets 6.4% of the budget is allocated to trust. However, this figure declines to only 3.3% in the banks with more than $5 billion in assets.

Institutional marketing tends to be somewhat lower among the smaller banks and the largest banks and to rise somewhat among the mid-size banks. For example, in banks under $25 million, only 5.8% to 7.8% of the total budget is spent on institutional marketing. Among mid-size banks, 11.4% to 21.2% is spent on this category. However, in the banks of $1 to $5 billion in assets the percentage declines to 15.9% and to only 12.1% among those banks with $5 billion or more in assets.

Banks Marketing Each Type

Table 9 shows the percentage of responding banks which spent money on each type of service. By far, retail and commercial/corporate marketing are used most widely.

From 95% to 99% of small and mid-size banks marketed retail services. Among banks with $5 billion or more, 100% did.

Commercial/corporate marketing is most widely used by mid-size and larger banks. Only 60% of banks with under $10 million in assets marketed to businesses, while 71% to 89% of all other banks did.

Trust marketing also is used more widely by larger banks, as might be expected. For example, only 5% to 15% of banks under $50 million used trust marketing. Among mid-size banks the percentage using it increased to between 23% and 63%. Among banks over $1 billion, 57% to 71% included expenditures for trust purposes in their marketing budget.

As noted in prior years of the *Analysis*, the incidence of

TABLE 8
PERCENTAGE OF REPORTING BANKS' BUDGETS SPENT ON EACH SERVICE BY ASSET SIZE
(All Reporting Banks - 1990, Percentages)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	70.8%	71.8%	64.0%	60.0%	52.7%	56.0%	63.7%	65.3%	73.5%
Commercial/Corporate (business)	19.3	21.9	22.2	23.3	19.3	17.1	13.0	11.2	6.0
Trust	.5	0.0	1.2	2.0	4.3	6.3	5.8	6.4	3.3
Institutional	7.8	5.8	11.4	13.1	21.2	19.5	16.2	15.9	12.1
Other	1.8	.4	1.2	1.6	2.6	1.1	1.4	1.2	5.1

SHARE OF EXPENDITURES BY ASSET GROUP

(data compiled from Table 8)

Figure D

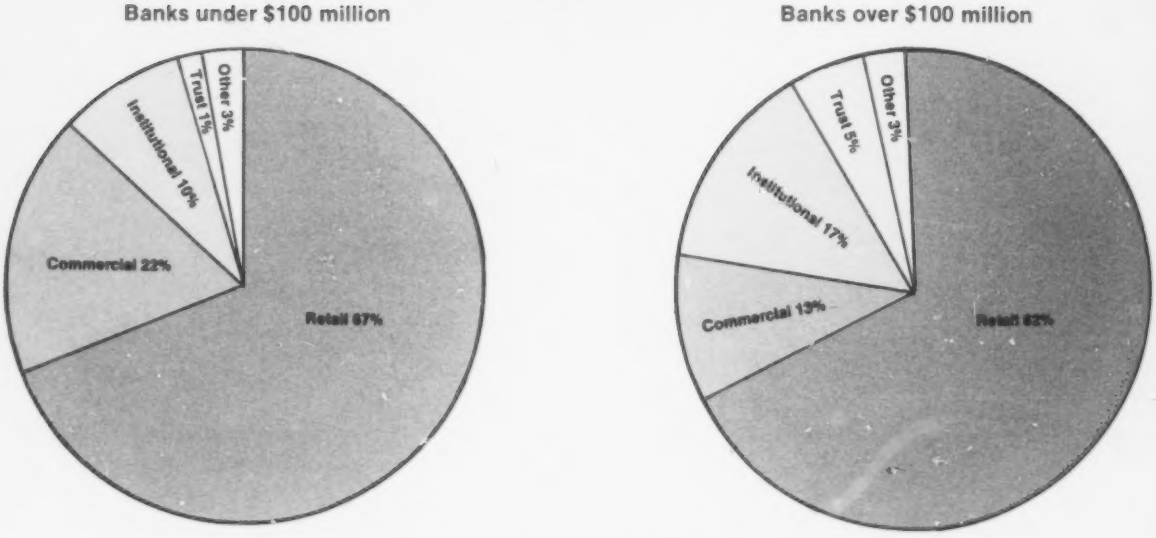


TABLE 9
PERCENTAGE OF REPORTING BANKS MARKETING EACH SERVICE BY ASSET SIZE

(All Reporting Banks - 1990, Percentages)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	95%	98%	99%	98%	98%	97%	98%	98%	100%
Commercial/Corporate (business)	60	81	84	89	86	85	83	80	71
Trust	5	—	15	23	45	52	63	57	71
Institutional	15	25	43	53	72	76	80	67	57
Other	15	7	6	12	16	15	20	11	36

spending for institutional marketing also is related to bank size with only 15% to 25% of banks under $25 million marketing institutional services, while the proportion increases to 43% to 80% among mid-size banks. At banks with $1 to $5 billion in assets, 67% used instutional marketing compared to only 57% of banks with more than $5 billion in assets.

Expenditures for all other types of marketing occurred at 7% to 36% of responding banks.

Amount of Expenditures

Table 10 shows the *amount* of the *average expenditure* for each service based on the asset size of the bank.

At banks with less than $100 million in assets, the average expenditure for retail services ranged from $9,600 to $32,900. At banks with more than $100 million in assets, expenditures ranged from $70,100 to $3,634,000

Institutional marketing accounts for the next largest expenditures, ranging from $3,500 at the smaller banks to $15,700 at banks with $50 to $100 million in assets. The average expenditure ranges from $40,400 at banks of $100 to $250 million in assets to a high of $1,337,000 among banks with $5 billion or more in assets.

The average expenditure for commercial/corporate marketing ranges from $3,500 at the smallest banks to $15,300 at banks with $50 to $100 million in assets. Spending increases to $29,000 among banks with $100 to $250 million in assets and to a high of $476,700 at banks of $5 billion or more.

Spending for trust services varies from $4,500 in the smaller banks to as much as $211,500 in the banks with $5 billion or more in assets.

Table 11 shows similar data for the *median expenditures* for each service type. As would be expected, in general, the median expenditures are lower than the

average expenditures shown in Table 10.

Table 12 demonstrates how the population of a market influences the amount of expenditure on retail services.

As the size of the market increases, so does the amount of budget allocated to retail services, in part because larger markets contain larger banks with larger budgets.

In the smallest markets — under 100,000 population — the average expenditure is $47,500. In the next largest market, 100,000 to 500,000, the expenditure nearly triples to $136,100. In markets with 500,000 to 1 million population, spending nearly triples again, increasing to $397,500. And, in the largest markets with 1 million or more population, spending for retail services averages $1,204,200.

The average spent for institutional marketing varies from $31,600 in the smallest markets to $427,500 in the largest markets. Commercial/corporate marketing ranges between $18,200 in the smaller markets to a high of $212,400 in the largest markets. Trust marketing ranges from $13,500 in the smallest markets to $112,100 in the largest market.

TABLE 10
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1990, $000)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$ 9.6	$13.1	$20.4	$32.9	$70.1	$140.9	$354.2	$977.6	$3634.0
Commercial/Corporate (business)	3.5	5.4	9.1	15.3	29.0	46.7	82.4	201.4	476.7
Trust	5.8	—	4.5	5.4	14.0	26.9	49.9	111.7	211.5
Institutional	4.2	3.5	14.1	15.7	40.4	65.6	115.8	340.2	1337.2
Other	4.4	.9	8.7	7.0	19.8	17.8	26.4	136.4	586.1

TABLE 11
MEDIAN MARKETING EXPENDITURE BY SERVICE TYPE AND ASSET SIZE
(All Reporting Banks - 1990, $000)

Service Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Retail Services (individuals)	$ 6.0	$ 9.4	$16.6	$29.0	$56.3	$118.7	$320.2	$734.1	$2962.5
Commercial/Corporate (business)	2.9	3.5	6.5	11.6	20.2	33.4	42.3	126.5	305.2
Trust	5.8	—	1.8	2.8	9.1	18.3	35.2	61.8	190.6
Institutional	2.5	2.3	5.0	11.0	25.2	43.2	69.6	255.2	395.0
Other	.9	.7	5.3	5.4	14.1	12.2	17.4	80.3	697.2

TABLE 12
AVERAGE MARKETING EXPENDITURE BY SERVICE TYPE AND POPULATION SIZE
(All Reporting Banks - 1990, $000)

Service Type	Population Size			
	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Retail Services (individuals)	$47.5	$136.1	$397.5	$1204.2
Commercial/Corporate (business)	18.2	40.9	63.6	212.4
Trust	13.5	31.9	90.0	112.1
Institutional	31.6	68.1	176.3	427.5
Other	13.7	17.6	44.4	324.6

The *Analysis* questionnaire also features a series of questions related to a specific marketing topic which changes each year. This 9th Edition examines how banks are using direct mail and statement enclosures to promote services. (Direct mail also was examined in the *Analysis* during 1985 and 1988).

The questions on direct mail specifically were designed to measure the following information:

- The number of promotional mailings **sent in 1990.**
- The number of promotional mailings the bank **intends to send in 1991.**
- The **type of services** which banks promote in their mailings (i.e. credit, deposit and corporate).
- Within those three general types of services, the **specific products** promoted (such as home equity loans, credit cards, checking accounts, money market accounts, etc.)

The findings from the special questions are reported in Tables 13 through 17 and in Figures E and F, along with comparisons to the findings from 1985 and 1988.

Who Uses Direct Mail?

The proportion of banks which used direct mail advertising in 1990, as shown in Table 13, increases with bank size from 57% of the banks with less than $10 million in assets, to 100% of the banks with $1 billion to $5 billion in assets.

In comparing 1990 data to responses in 1985 and 1988, there is a continuing increase in the percentage of banks using direct mail. For example, among banks under $100 million in assets, the percentage using direct mail ranged from 28% to 65% in 1985 depending on asset size, increased to 24% to 72% in 1988, and to 57% to 71% in 1990.

The percentage of banks above $100 million in assets using the medium has remained generally in the 80% to 100% range, with increasing use generally related to asset size.

Intended Future Use of Mail

When asked if they would use direct mail in 1991, an even larger percentage of banks indicated they would.

As shown in Table 14, 70% to 80% of the banks with less than $100 million in assets said they would use direct mail. And, among banks with over $100 million to over $5 billion in assets, 89% to 98% said they would.

Frequency of Mailings

Responding banks also intend to increase the frequency of their mailings, as shown in Figure E.

The average number of mailings sent in 1990 ranged from 2.69 for the smallest banks to 3.02 to 3.94 for banks with $50 million to $500 million in assets, and from 4.63 for banks with $500 to $1 billion in assets to 8.23 for banks with over $5 billion in assets.

In 1991, banks in each of the nine asset ranges planned to increase their number of mailings. For example, in the banks with under $50 million in assets, the number will increase to 2.75 to 3.81. Among banks with $50 million to $500 million in assets, the number will increase to 3.45 to 5.21, and among the banks over $500 million, they will increase to 5.84 to 9.85. Thus, in the smaller banks the increase will average about .6 mailings or less and in the larger banks it will average about 1.2 to 1.5 per year, varying with asset size.

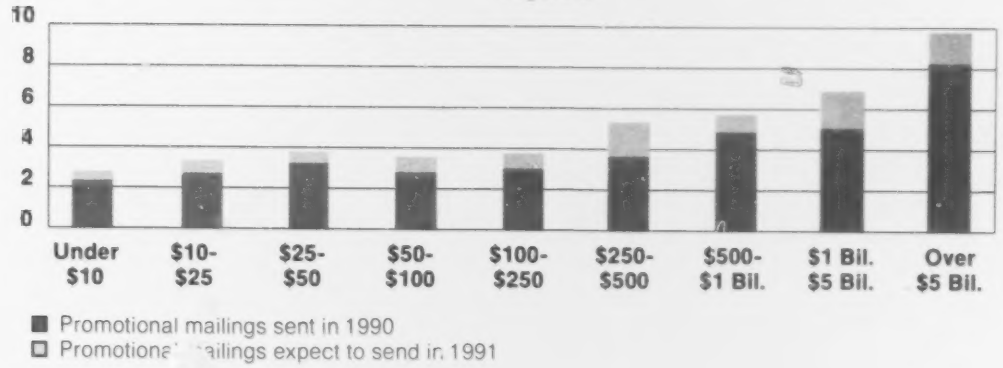
TABLE 13
USE OF DIRECT MAIL IN 1990
(All Reporting Banks - 1990)

Use of Mail	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Did Not Mail	**43%**	**47%**	**31%**	**29%**	**19%**	**6%**	**8%**	—	**7%**
Mailed 1-3	52	45	49	54	58	54	38	46	14
4-6	—	7	11	12	17	27	35	23	7
7-9	—	—	2	2	3	5	12	8	29
10 or more	4	1	6	3	4	8	8	23	43
Total Using Mail	**57**	**53**	**69**	**71**	**81**	**94**	**92**	**100**	**93**

TABLE 14
EXPECTED USE OF DIRECT MAIL IN 1991
(All Reporting Banks - 1990)

Use of Mail	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Will Not Mail	**30%**	**38%**	**23%**	**20%**	**11%**	**6%**	**4%**	**2%**	**7%**
Will Mail 1-3	61	42	48	49	54	35	21	25	—
4-6	4	15	18	25	21	34	42	27	14
7-9	—	1	3	4	7	11	17	10	7
10 or more	4	3	7	2	7	15	15	35	71
Total Will Mail	**70**	**62**	**77**	**80**	**89**	**94**	**96**	**98**	**93**

NUMBER OF MAILINGS BY ASSET SIZE
(1990 Actual, 1991 Expected)
Figure E



Type of Services Promoted

Respondents also were asked to indicate which types of services they promoted by mail:

- Deposit
- Credit
- Corporate

Within each of these general categories, they also were asked to name the specific products promoted.

As shown in Table 15, the general type of service promoted most often is deposit services. Among banks which use mail, 83% to 100% sold deposit services. In general, use of deposit advertising was highest among the smallest and largest banks and lowest among the mid-size banks.

Within deposit services, the one promoted most often was checking accounts, by 42% to 75% of banks. This represents an increase among all asset ranges over the proportion promoting checking in both 1988 and 1985.

After checking, the deposit service promoted most often is IRAs, ranging from 34% among mid-size banks to a high of 59% among smaller banks and 77% among the largest institutions.

Short-term certificates of deposit are promoted by

18% to 46% of banks, and money market accounts by 8% to 35% of those banks using direct mail, about the same proportions as in 1988 but increased somewhat over 1985.

Banks also promote longer term certificates (11% to 31%), debit cards (8% to 23%), and trust services (8% to 24%).

Other deposit services promoted include seniors accounts, ATM cards and other club or 'package' accounts.

Credit Services

Credit products are advertised with direct mail almost as frequently as deposit products.

In 1990, the credit product promoted most often by banks using direct mail was the home equity line of credit as shown in Table 15. It was used by 17% to 85% of banks, with usage directly correlated to the size of the bank. Home equity usage is up somewhat from 1988 among most asset ranges, but up by nearly double its use in 1985.

After home equity, credit cards are promoted most often, ranging from 25% of the smaller banks to as much as 77% of the larger banks, approximately the same proportions as in 1988 and up somewhat among smaller banks when compared to 1985.

Direct mail was used to promote installment credit by 23% to 54% of banks using direct mail, and mortgages were promoted by mail at 22% to 42% of banks, up from both 1988 and 1985 data.

Other types of credit lines were promoted by 11% to 42% of banks. Other credit services which were promoted (by less than 4%) were agricultural loans, Small Business Administration loans, student loans, mortgage or crop insurance, and loans related to Community Reinvestment Act issues.

Corporate Services

Direct mail was used for marketing corporate services by 31% to 51% of banks, up approximately 10% to 20% from 1988 to 1985 usage.

Within corporate services, the one promoted most often is loans, by 8% to 27% of responding banks as shown in Table 15. Corporate checking services were sold by 4% to 43% of respondents. Three percent to 15% used mail to sell institutional services. Cash management services were marketed by 3% to 19% of respondents, and other deposit services, such as lockbox, were promoted by 3% to 8% of responding banks.

TABLE 15
SERVICES PROMOTED BY DIRECT MAIL
(All Reporting Banks - 1990)

Type of Service	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Credit	**92%**	**73%**	**84%**	**75%**	**84%**	**90%**	**91%**	**94%**	**100%**
Credit Card	25	27	34	36	36	49	55	47	77
Installment	42	38	34	30	28	31	23	45	54
Home Equity	17	30	38	37	47	60	77	85	77
Other Line of Credit	42	24	18	11	11	16	13	26	23
Mortgage	42	35	26	22	26	26	23	32	23
Deposit	**100**	**89**	**90**	**88**	**88**	**83**	**87**	**87**	**100**
Checking	75	57	54	56	47	42	53	51	62
Debit Card	8	14	13	14	15	12	11	19	23
Money Market	8	35	10	20	19	21	26	21	23
Short Term CDs	42	46	18	20	21	25	43	23	46
Long Term CDs	17	22	11	17	15	13	23	19	31
IRA	42	59	41	46	39	34	36	40	77
Trust	8		10	11	22	24	17	15	8
Senior Account/Senior Club	—	3	8	3	5	4	—	—	8
ATM/ATM Card	—	—	2	4	3	—	2	—	—
Corporate	**42**	**51**	**31**	**34**	**38**	**39**	**40**	**26**	**31**
Checking	17	43	16	18	18	12	4	4	15
Other Deposit	8	11	3	7	6	8	6	4	—
Loans	25	27	16	19	18	14	13	9	8
Cash Management	17	8	8	7	7	13	17	19	—
Institutional	8	3	5	7	10	15	15	11	8
Other Corporate Services	—	—	—	3	5	4	4	—	8

TABLE 16
USE OF STATEMENT ENCLOSURES IN 1990
(All Reporting Banks - 1990, Percentages)

Use of Mail	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Did Not Mail	**13%**	**10%**	**8%**	**4%**	**2%**	**1%**	**2%**	**4%**	—
Mailed 1-3	58	43	36	25	27	18	20	4	—
4-6	21	25	40	46	33	24	31	19	7
7-9	—	8	7	11	14	23	10	29	14
10 or more	8	14	8	15	24	34	37	44	79
Total Using Mail	**87**	**90**	**92**	**96**	**98**	**99**	**98**	**96**	**100**

TABLE 17
EXPECTED USE OF STATEMENT ENCLOSURES IN 1991
(All Reporting Banks - 1990, Percentages)

Use of Mail	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Did Not Mail	**9%**	**6%**	**8%**	**4%**	**1%**	**2%**	—	**2%**	—
Will Mail 1-3	57	44	35	22	24	16	10	2	—
4-6	26	24	38	41	31	23	40	19	—
7-9	—	11	8	16	18	21	12	29	21
10 or more	9	15	10	18	26	38	38	48	79
Total Will Mail	**91**	**94**	**92**	**96**	**99**	**98**	**100**	**98**	**100**

Use of Statement Enclosures

For the first time, the *Analysis* surveyed respondents on their use of statement enclosures, along with questions on their use of direct mail.

As shown in Tables 16 and 17, almost all banks used statement enclosures in 1990, with usage increasing from 87% of the smaller banks to 100% of the largest.

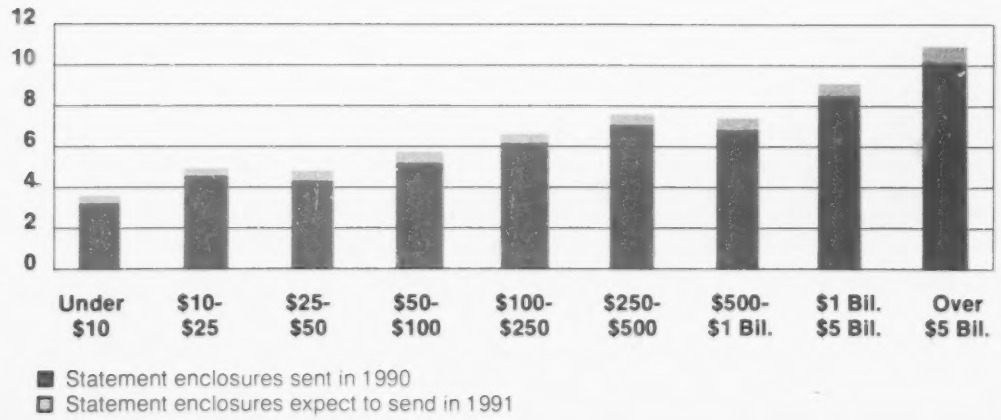
Similarly, most banks said they would maintain or increase their use of statement enclosures in 1991. Only those in the $250 to $500 million range said use would decline (only one percentage point).

The graph in Figure F shows how, generally, the number of statement enclosures used increases with asset size. For example, among the smallest banks, the average number used in 1990 was 3.57 enclosures while the largest banks used 10.14.

For 1991, the range increases from 3.71 at the smallest banks to 10.36 per year at the largest banks.

NUMBER OF STATEMENT ENCLOSURES BY ASSET SIZE

Figure F



USE OF ADVERTISING AGENCIES

The *Analysis* also surveys responding banks on whether they use advertising agencies and, if so, how much they are paying them. It also investigates use of in-house agencies or holding companies as the bank's primary source of advertising for the institution.

The information in Tables 18 through 22 shows which banks are using advertising agencies versus bank or holding company staff for preparing their advertising and relates the data to asset size, market size and population of market. Furthermore, the graph in Figure G shows how banks under $100 million in assets versus those over $100 million in assets prepare their advertising.

Among the smaller banks, 78% use bank staff as their primary source of advertising, compared to 79% in the prior year's *Analysis* and 74% five years ago. At the same time, the use of advertising agencies in 1990 was 16%, compared to 17% in the prior year and 19% five years ago. Meanwhile, the use of holding companies as the primary source of advertising at 4% is up somewhat from last year's 2% but equal to the 4% of five years ago.

Among banks with more $100 million in assets, agency usage climbs strongly to 66%, similar to the 67% in the 1989 data but down somewhat from the 76% five years ago. At the same time, the use of bank staff for preparing advertising has remained at 26% both this year and the prior year compared to 17% five years ago. Reliance on holding companies is currently at 6%, the same as the prior year, and up only slightly from 5% five years ago.

The use of agencies clearly rises very directly as the size of the bank increases, to a high of 93% among banks with $5 billion or more in assets.

Table 19 examines the influence of population size of a market on agency use. In the markets with under 100,000 population, 66% use bank staff compared to 26% using agencies and 6% using holding company staff. In markets of 100,000 to 500,000, use of bank staff declines to 42% and agency usage increases to 49%, while the use of holding companies remains at 6%.

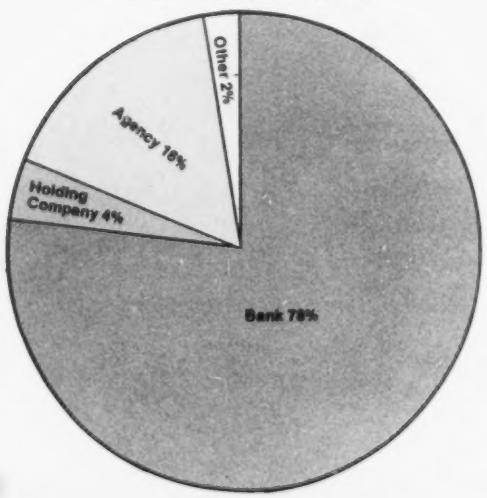
In markets with 500,000 to 1 million population, agency use climbs to 67% while the use of bank staff declines to 25% and again, the use of holding companies remains at 6%. In the largest markets of 1 million or more, agency usage is now 72% while the use of bank staff is 19% and the use of holding company staff is only 4%.

Table 20 demonstrates how the type of market influences the use of an advertising agency. Among banks which market to more than one state, 47% use bank staff, 47% use agencies and 5% use holding company staff. In statewide markets, 79% of banks use an outside agency while only 15% use bank staff and 3% use holding company staff. In urban markets, the use of agencies declines to 51%, while the use of bank staff increases to 37% and the use of holding companies increases to 9%. In suburban markets, the use of bank staff or agencies is about equally split at 45% versus 46% respectively, while holding company usage is 7%. However, in rural markets, 70% rely on bank staff to produce advertising, while 24% use agencies and 4% use holding company staff.

SOURCES FOR CREATING ADVERTISING

Figure G

Banks under $100 million



Banks over $100 million

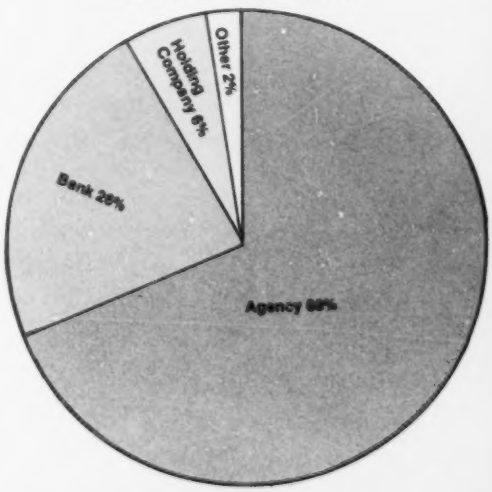


TABLE 18
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING DURING 1990

(All Reporting Banks - 1990, Percentages)

Primary Source	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Used Bank Staff	82%	85%	76%	68%	51%	33%	25%	13%	7%
Used Holding Company Staff	5	4	5	3	7	9	8	6	—
Used Outside Agency	14	8	16	26	41	56	63	77	93
Other	—	3	2	3	1	2	4	4	—

TABLE 19
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY POPULATION

(All Reporting Banks - 1990, Percentages)

Primary Source	Population Size			
	Under 100,000	100,000-500,000	500,000-1 Million	1 Million or More
Used Bank Staff	66%	42%	25%	19%
Used Holding Company Staff	6	6	6	4
Used Outside Agency	26	49	67	72
Other	2	3	2	4

TABLE 20
BANK'S PRIMARY SOURCE FOR CREATING ADVERTISING BY MARKET TYPE

(All Reporting Banks - 1990, Percentages)

Primary Source	Market in Which Their Bank Competes for Retail Business				
	More than One State	Statewide	Urban	Suburban	Rural
Used Bank Staff	47%	15%	37%	45%	70%
Used Holding Company Staff	5	3	9	7	4
Used Outside Agency	47	79	51	46	24
Other	—	3	4	2	2

TABLE 21
HOW AGENCY WAS COMPENSATED FOR SERVICES IN 1990

(Banks Which Use Agencies)

Compensation Type	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Fees Only	100%	50%	69%	63%	54%	49%	38%	36%	23%
Media Commissions Only	—	—	—	3	4	3	6	12	15
Both Fees and Commissions	—	50	31	35	41	47	56	52	62

TABLE 22
AVERAGE EXPENDITURE FOR FEES AND COMMISSIONS OR FEES ONLY AT AN OUTSIDE ADVERTISING AGENCY
(Banks Which Use Agencies)

Compensation	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
Number of Reporting Banks	3	6	15	38	104	55	25	28	9
Average Expenditure	$5.1	$4.1	$6.0	$9.0	$16.2	$30.3	$64.2	$144.1	$387.2
Median Expenditure	4.5	3.6	5.0	5.0	12.5	25.0	60.0	120.0	200.0

Compensation Method

In addition to measuring which banks are using advertising agencies, the *Analysis* also studies which of the following methods banks use to compensate their agencies:

- Fees only
- Media commissions only
- Both fees and media commissions

As shown in Table 21, the size of the bank has a strong influence on how the advertising agency is compensated for its services. For example, the use of the "fees only" method declines from 100% at the smallest banks to about one-half at the mid-size banks and falls further to only 23% at banks with $5 billion or more in assets.

The method of using "media commissions only" to compensate an agency is not widely used but increases, however, with the size of the bank. For example, only 3% of banks with $50 to $100 million in assets use "commission only" while up to 15% of the largest banks do.

The use of combination of "both fees and commissions" varies widely among different asset sizes, but is not necessarily related to size. For example, 50% of the smallest banks use both "fees and commissions" but only about one-third of those banks with assets between $25 and $100 million do. Among banks with $100 million to $1 billion in assets 41% to 56% use a combination of both methods. And, in the largest banks of more than $1 billion in assets, 52% to 62% use a combination of "both fees and commissions."

Compared to data in the *Analysis* of five years ago, there continues to be a trend towards lower use of "commissions only" and a higher use of "fees only." For example, in 1985 62% of banks with more than $100 million in assets used both "fees and commissions" compared to only 51% in 1990. And, while 25% of banks used "fees only" in 1985, 40% used that method in 1990. In 1985 13% used "media commissions only," but only 8% used that method in 1990.

Compensation Amount

Table 22 shows how much agencies are paid annually for their services.

The questionnaire specifies that the compensation reported should include expenditures for creative, supervisory and account management time, but should exclude production expense such as artwork, or research and public relations fees. When comparing these statistics to your own agency fees, keep in mind that agency compensation methods can be relatively complex, and that there frequently are significant differences in billing methods among agencies. Therefore, use these data as general guidelines rather than absolute or fixed amounts.

Average Expenditure

As shown in the table, the average fee varies significantly with bank size. Among community banks, fees range from a low of only $4,100 for institutions with less than $25 million in assets to $16,200 at banks with $100 to $250 million in assets. Average annual compensation reaches a high of $387,200 at institutions with assets of $5 billion or more.

Median Expenditure

As noted earlier, median expenditures are typically lower than average expenditures and that holds true in Table 22. Median compensation for community banks ranges from $3,600 to $12,500 in banks with up to $250 million in assets. The median annual compensation at banks with $250 to $500 million in assets is $25,000, while the median increases to $200,000 at banks with $5 billion or more.

TABLE 23
AVERAGE AND MEDIAN MARKETING EXPENDITURES FOR 1989/1990 BY ASSET SIZE
(All Reporting Banks - 1990, $000)

	Asset Size in Millions								
	Under $10	$10-$25	$25-$50	$50-$100	$100-$250	$250-$500	$500-$1 Billion	$1 Billion-$5 Billion	$5 Billion or More
1990 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	24	74	97	156	282	109	52	50	14
Average Expenditure	**$ 12.8**	**$ 17.1**	**$ 35.3**	**$ 56.2**	**$128.7**	**$243.5**	**$535.8**	**$1421.0**	**$5098.9**
Minimum Expenditure	1.5	.5	1.8	5.2	12.1	39.0	86.3	82.7	230.5
Maximum Expenditure	58.3	76.4	229.5	142.3	500.0	760.5	1235.6	4966.0	11608.2
Median Expenditure	**7.7**	**13.0**	**29.0**	**55.2**	**115.4**	**226.2**	**450.0**	**1163.3**	**3551.0**
1989 NON-SALARY MARKETING EXPENDITURES									
Number of Reporting Banks	17	54	75	111	229	86	43	40	10
Average Expenditure	**$ 9.9**	**$ 15.0**	**$ 34.3**	**$ 49.5**	**$117.7**	**$232.2**	**$514.5**	**$1096.7**	**$3451.5**
Minimum Expenditure	.5	1.5	2.0	4.5	13.0	25.0	50.0	1.0	3.0
Maximum Expenditure	51.3	65.0	245.0	100.0	450.0	675.0	1300.0	4500.0	8900.0
Median Expenditure	**5.0**	**10.7**	**25.0**	**47.3**	**100.0**	**230.0**	**450.0**	**900.0**	**3400.0**

Comparing 1990 and 1989

A summary comparison of responding banks' marketing budgets for 1989 and 1990 is shown in Table 23.

For each asset range, both the average and median expenditure are shown, along with the minimum and maximums reported.

It should be noted that information for the 1989 data shown above was provided by banks in this year's survey of 1990 expenditures and may differ from the data shown in the 8th Edition of the *Analysis* which also reported on 1989 expenditures. Comparisons in earlier pages of this text between 1989 and 1990 are based on the respective surveys for each year rather than the above table.

As shown above, both the average and median figures for almost all asset ranges showed increases for 1990 over those reported for 1989, although the percentage change varies significantly among the various asset ranges.

Total Industry Expenditures

Table 23 also can be used to create an estimate of what the banking industry at large in the United States spends on marketing, but there are a number of limiting biases. For example, the number of banks in each asset range changes annually, and responding banks, as mentioned earlier, may not have expenditures representative of all banks nationwide.

Readers interested in making such a projection despite these limitations may do so by multiplying the current number of banks in each asset range times the average expenditure for that range, then adding the total of the nine ranges.

Comparing Years and Trends

The format for most of the statistical tables in this 9th Edition of the *Analysis* correlates to those of the eight prior editions (1982 through 1989) so that you may compare changes in the data. If you would like to examine results of prior *Analyses*, you may order copies for the years 1982 through 1989 by calling 1-800-338-0626.

Methodology

To ensure that information in the survey can be compared year to year, the methodology used in the 9th Edition is similar to prior years. The questionnaire was mailed to a random sample of banks nationwide. The sample was chosen by "nth" name selection from among two asset groups: Those banks under $100 million in assets (5,360) and those over $100 million in assets (4,169). The samples are divided into the two sampling groups to allow for a lower response rate among community banks as experienced in previous surveys.

After a follow-up mailing, responses were cut off May 17, 1991.

A total of 934 questionnaires had been returned at the cutoff date and, of these, 858 were useable returns. They were distributed among nine asset ranges as follows:

In $ millions	Number Responding	Percentage of Survey
Under $10	24	3%
$10 - $25	74	8
$25 - $50	97	11
$50 - $100	156	18
$100 - $250	282	33
$250 - $500	109	13
$500 - $1 billion	52	6
$1 billion - $5 billion	50	6
Over $5 billion	14	2

Each questionnaire was edited for accuracy and checked for completion, then the data were computer tabulated, examined for consistency and verified for accuracy.

Survey Limitations

While the survey sampling was taken among both BMA members and nonmembers, it can be assumed that there is a higher response rate among members than nonmembers. Because BMA members may tend to spend more or differently on marketing than nonmembers, the reader should take this potential bias into consideration.

Care was taken to make the definitions of expenditures universally acceptable but at the same time specific enough to be useful to the reader. Nevertheless, respondents may interpret questions differently, indicating an expenditure in an incorrect category.

Finally, the study is not a census of actual expenditures, but more a sampling of data from responding banks' records. As such it represents only a portion of all U.S. banks. The tables and individual statistics therefore should be used in relative terms rather than in absolute terms to make comparisons.

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